CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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February 23, 2024

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: February 28, 2024 Budget and Finance Committee Meeting

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Item 6 **File 24-0084**	**Department:** Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the fifth Memorandum of Agreement (MOA) between San Francisco Public Utilities Commission (SFPUC) and the National Park Service (NPS) for comprehensive management of watersheds within Yosemite National Park supplying the San Francisco Regional Water System, for a term of four years, from July 1, 2024 through June 30, 2028, and an amount not to exceed $40,958,727.

Key Points

- The Hetch Hetchy Reservoir and watershed is located in Yosemite National Park, which is operated and managed by the U.S. Department of the Interior's NPS. Water from Hetch Hetchy currently provides over 85% of the City and County of San Francisco's water needs and provides drinking water to over 2.7 million residential, commercial and industrial customers served by the SFPUC in the San Francisco Bay Area.
- Under the Raker Act of 1913, which authorized the building of the O'Shaughnessy Dam and the flooding of the Hetch Hetchy Valley in Yosemite National Prak to create a reservoir, SFPUC is required to reimburse NPS for inspection costs, train maintenance, and other compliance costs, and includes a fee to the NPS of $30,000 per year.
- The current four year MOA between SFPUC and NPS expires June 30, 2024.

Fiscal Impact

- The MOA authorized by the proposed resolution would not exceed $40,958,727 for the four year term. The proposed MOA would increase SFPUC funding for NPS work by 8 percent in Year 1 (FY 2024-25), by 7 percent in Year 2, and by 4 percent in Years 3 and 4 of the agreement. These costs reflect Core Services expenditures, which include program administration, protecting water from contamination, and plant and wildlife stewardship, which would increase by 6 percent in Year 1 and by 4 percent per year in Years 2, 3, and 4. Funding for Special Projects and Direct Services fluctuates over the term of the agreement.
- The proposed MOA also includes a 5 percent locality pay adjustment that is embedded into labor costs for Years 1 and 2 and is included as a separate line item cost in Years 3 and 4, represented as a 5% maximum adjustment per year.
- The MOA would be funded by the SFPUC Hetch Hetchy water and power rate payers.

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 Hetch Hetchy Reservoir and Tuolumne River watershed is located in Yosemite National Park, which is operated by the U.S. Department of the Interior's National Park Service (NPS). The 1913 Raker Act authorized the City of San Francisco to construct the O'Shaughnessy Dam at Hetch Hetchy and other water and power facilities to supply water to the San Francisco Regional Water System. Water from the Hetch Hetchy watershed currently provides over 85% of the City and County of San Francisco's water needs and provides drinking water to 2.7 million residential, commercial and industrial customers served by the SFPUC in the San Francisco Bay Area. The Hetch Hetchy Watershed is managed by the NPS.

Under the Raker Act, the San Francisco Public Utilities Commission (SFPUC) is required to reimburse NPS for inspection costs to ensure compliance with sanitation regulations, road and trail maintenance, and other compliance costs.

Water delivered by the SFPUC to San Francisco from Hetch Hetchy is exempt from filtration under federal and state law. To maintain this exemption, the SFPUC must demonstrate control over watershed activities such as land management and wastewater treatment. Since the watershed above Hetch Hetchy is part of Yosemite National Park, managed and controlled NPS, the Memorandum of Agreement (MOA) uses SFPUC funding to protect water quality in addition to expenses that are the SFPUC's responsibility under the Raker Act.

In 2019, the Board of Supervisors approved a new MOA between SFPUC and NPS for comprehensive management of watersheds supplying San Francisco Regional Water System, for a term of four years, from July 1, 2020 through June 30, 2024, and an amount not to exceed $33,257,629 (File 19-0347). The MOA replaced a prior agreement that had been in place between 2016 and 2020 (Files 16-0538 and 18-0496).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new Memorandum of Agreement between SFPUC and National Park Service for comprehensive management of watersheds within Yosemite National Park supplying the San Francisco Regional Water System for a term of four years, from July 1, 2024 through June 30, 2028 for an amount not to exceed $40,958,727. The proposed MOA would be the fifth of its kind between the SFPUC and NPS.

Services

The proposed agreement includes three categories of services: (1) Core Services, which include program administration, protecting water from contamination, and plant and wildlife stewardship, (2) short-term special projects to assist with Core Services, and (3) Direct Services, performed by NPS and that are beyond the scope of Core Services. Direct Services were not included in prior SFPUC-NPS MOAs and may include emergency repair work or environmental reviews for SFPUC projects.

Raker Act

The Raker Act of 1913, in addition to authorizing the building of the O'Shaughnessy Dam and flooding of Hetch Hetchy Valley in Yosemite National Park to create a reservoir, established the annual fee, which is $30,000 per year, that the City and County of San Francisco must pay to NPS to build and maintain roads and trails and other improvements in Yosemite National Park.

Reporting

The proposed MOA continues to require the NPS to submit quarterly and annual reports on the programs funded by the SFPUC. Each of the quarterly reports consists of specific project updates, including each project's Work Plan and Accomplishments for the Quarter. The quarterly reports also include a Status of Funds table, which shows how much money has been spent to date on each project. The annual report consists of a summary of quarterly accomplishments for each project.

FISCAL IMPACT

The MOA authorized by the proposed resolution would have an amount not to exceed $40,958,727 over the four-year term. NPS and SFPUC developed a two-year budget for FY 2024-25 (Year 1) and FY2025-26 (Year 2). Expenditures for FY 2026-27 (Year 3) and FY 2027-28 (Year 4) are based on an estimation of increased costs due to inflation.

The cost breakdown is shown in Exhibit 1 below.

Exhibit 1: MOA Program Costs FY 2024-25 - 2027-28

	FY 2024-25 (Year 1)	FY 2025-26 (Year 2)	FY 2026-27 (Year 3)	FY 2027-28 (Year 4)	Total
Source Water Protection	$6,604,442	$6,880,974	$7,169,506	$7,470,616	$28,125,538
Environmental Stewardship	$459,854	$478,620	$498,165	$518,523	$1,955,162
Security	$984,083	$1,023,447	$1,064,385	$1,106,960	$4,178,875
Program Manager	$171,939	$178,816	$185,968	$193,407	$730,130
Administrative Support	$426,622	$443,688	$461,435	$479,892	$1,811,637
Core Task Subtotal	*$8,646,940*	*$9,005,545*	*$9,379,459*	*$9,769,398*	*$36,801,342*
5% Locality Pay	$0	$0	$242,779	$252,492	$495,271
Direct Services	$150,000	$174,000	$125,000	$125,000	$574,000
Raker Act Fee	$30,000	$30,000	$30,000	$30,000	$120,000
Special Projects	$569,161	$870,689	$749,152	$779,118	$2,968,120
Total	**$9,396,101**	**$10,080,234**	**$10,526,390**	**$10,956,008**	**$40,958,733**

Source: Memorandum of Agreement (MOA), Appendix D

Note: The above table total is $6 more than Appendix D of the proposed MOA, likely due to rounding error.

Cost Increases

Under the current MOA, FY 2023-24 Core Task costs are $8,155,543 and total MOA costs, with fees and Special projects are $8,728,138. The proposed MOA would increase SFPUC funding for NPS work by 8 percent in FY 2024-25 and again by 7 percent in FY 2025-26, while costs increase by 4 percent in Years 3 and 4 of the agreement. These cost increases reflect Core Services increasing by 6 percent in Year 1 and by 4 percent per year in Years 2, 3, and 4, while funding for Special Projects and Direct Services fluctuated over the term of the agreement. According to Cheryl Sperry, Business Services Manager for Hetch Hetchy Water, the cost increases reflect current and projected inflation and anticipated projects.

The proposed MOA also includes a 5 percent locality pay adjustment in Years 3 and 4 of the agreement. Locality pay is pay adjustment for federal employees, determined at the federal level, for reasons including but not limited to labor impacts in certain areas, a higher cost of living, or difficulty recruiting for certain positions. In January 2024, the Fresno area was added to the locality pay adjustment by federal regulation. For FY 2024-25 and FY 2025-26 the locality pay increases are reflected in the individual program line items that are impacted by labor costs. Future increases are unknown but are represented as a 5% maximum adjustment per year.

Funding Source

Funds for this agreement will be available from the Hetch Hetchy Water and Power rate payers.

RECOMMENDATION

Approve the proposed resolution.

Items 7, 8 and 9 **Files 23-1060, 23-1061, 23-1073**	**Department:** Airport

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolutions would approve Harvey Milk Terminal 1 food and beverage concession leases between San Francisco International Airport (Airport) as landlord and (i) Tastes on the Fly San Francisco, LLC with initial Minimum Annually Guaranteed (MAG) rent of $550,000 (File 23-1060); (ii) Tastes on the Fly San Francisco, LLC with initial MAG rent of $1,250,000 (File 23-1073); and (ii) Amoura International, Inc. with initial MAG rent of $450,000 (File 23-1061), as tenants, with initial 14-year terms and one 2-year option to extend each lease.

Key Points

- In April 2023, the Airport Commission authorized Airport staff to commence a Request for Proposals (RFP) process for three food and beverage concession leases in Harvey Milk Terminal 1, including a Food Hall lease, Historic Restaurant lease, and a Casual Sit-Down Restaurant lease. A four-member panel reviewed the proposals and deemed Tastes on the Fly San Francisco, LLC (Food Hall lease) and Amoura International, Inc. (Casual Sit-Down Restaurant lease) and Tastes on the Fly (Historical Restaurant lease) to be the highest scoring responsive and responsible proposers.
- Each lease requires a minimum investment of $1,200 per square foot for space improvements, paid for by the tenants. According to the proposed leases, these improvements may include refurbishing and redecorating the spaces.
- Each tenant would pay the greater of MAG rent, adjusted annually based on the Consumer Price Index (CPI), or percentage rent based on gross revenues.

Fiscal Impact

- Over the initial 14-year lease terms, the total value of the MAG rent would be at least $31,500,000. If the two-year options to extend the leases are executed, the value of the MAG rent would be at least $4,500,000. The total value of the MAG rent over 16 years would be at least $36,000,000.
- The Airport anticipates each of the leases to exceed MAG rent every year, and therefore, rent will be calculated based on the percentage of gross revenues. The forecasted percentage rent for each of the leases over the 14-year initial term are as follows: (1) at least $20,692,000 for the Tastes on the Fly Food Hall lease (23-1073), at least $6,580,000 for the Amoura International Casual Sit-Down Restaurant lease (23-1061), and at least $9,604,000 for the Tastes on the Fly Historic Restaurant lease (File 23-1060).

Recommendation

- Approve the proposed resolutions.

MANDATE STATEMENT

City Charter Section 9.118(c) states that (1) any lease of real property for ten or more years, including options to renew, or having anticipated revenues to the City of $1,000,000, or (2) the modification, amendment or termination of these leases is subject to Board of Supervisors approval.

BACKGROUND

In April 2023, the San Francisco International Airport (Airport) Commission authorized Airport staff to commence a Request for Proposals (RFP) process for three food and beverage concession leases in Harvey Milk Terminal 1, including a Food Hall[1] lease, Historic Restaurant[2] lease, and a Casual Sit-Down Restaurant[3] lease. For the Food Hall lease, proposers were required to have gross annual sales of at least $5,000,000 from an existing restaurant. For the Historic Restaurant lease and Casual Sit-Down Restaurant lease, proposers were required to have gross annual sales of at least $2,000,000 from an existing restaurant.

In August 2023, the Airport received five proposals for the three leases, of which four proposals were complete and met the minimum qualifications. A four-member panel reviewed the proposals and scored them, as shown in Exhibit 1 below.[4] Proposals were evaluated based on proposed concept (50 points), design intention and capital investment (30 points), customer service and quality control (10 points), and business plan (10 points).

Exhibit 1: Proposals and Scores from RFP

Proposer	Concept Name	Score
Food Hall (File 23-1073)		
Tastes on the Fly San Francisco, LLC	SF Eats Food Hall	91.00
Historic Restaurant (File 23-1060)		
Tastes on the Fly San Francisco, LLC	Perry's	90.00
Vine Dining Enterprises, Inc.	Left Bank Brasserie	86.00
Casual Sit-Down Restaurant (File 23-1061)		
Amoura International, Inc.	Taste of the City	82.00

Source: Airport staff memo to Airport Commission

Tastes on the Fly San Francisco, LLC and Amoura International, Inc. were the only proposers for Food Hall and Casual Sit-Down leases, respectively, and Tastes on the Fly was deemed the highest scoring responsive and responsible proposers for the Historical Restaurant Lease. In September

[1] According to the RFP, the Food Hall will be reflective of San Francisco's food and beverage scene with at least the following four (4) concepts: coffee, pizza, gourmet retail market, and a full bar.
[2] According to the RFP, the Historic Restaurant is a full-service restaurant brand that has been in business in San Francisco for at least 30 years or longer.
[3] According to the RFP, the Casual Sit-down Restaurant will have a strong breakfast menu.
[4] The panel consisted of a Director of Revenue Generation & Partnership Development from San Diego International Airport, the SFO Director of Station from American Airlines, a Senior Aviation Commercial Planning Manager from ICF International, Inc., and a Property Manager from SFO Aviation Management.

2023, the Airport Commission approved the leases. Turnover in Airport staff resulted in a delay to schedule the proposed resolutions for consideration by the Board of Supervisors.

DETAILS OF PROPOSED LEGISLATION

The proposed resolutions would approve Harvey Milk Terminal 1 food and beverage concession leases with (i) Tastes on the Fly San Francisco, LLC (File 23-1060 and File 23-1073); and (ii) Amoura International, Inc. (File 23-1061), as tenants.

Each lease would have an initial term of 14 years, with one 2-year option to extend each lease. Each tenant would pay the greater of the Minimum Annually Guaranteed (MAG) rent or percentage rent based on gross revenues. The key provisions of the leases are shown in Exhibit 2 below.

Exhibit 2: Key Provisions of Proposed Leases

Tenant	Tastes on the Fly (File 23-1060)	Amoura International (File 23-1061)	Tastes on the Fly (File 23-1073)
Concept	Historic Restaurant	Casual Sit-Down Restaurant	Food Hall
Square Footage	2,903 square feet	2,185 square feet	6,701 square feet
Term	14 years	14 years	14 years
Options to Extend	One 2-year option	One 2-year option	One 2-year option
Initial MAG Rent	$550,000	$450,000	$1,250,000
MAG Adjustment	January 1st following the first full lease year and then annually based on the Consumer Price Index (CPI)	January 1st following the first full lease year and then annually based on the Consumer Price Index (CPI))	January 1st following the first full lease year and then annually based on the Consumer Price Index (CPI)
Percentage Rent (of Gross Revenues)	8% up to $1,500,000 10% from $1,500,000 to $2,000,000 12% over $2,000,000	8% up to $1,500,000 10% from $1,500,000 to $2,000,000 12% over $2,000,000	8% up to $5,000,000 10% from $5,000,000 to $7,500,000 12% over $7,500,000
Minimum Investment	$1,200 per square foot ($3,483,600)	$1,200 per square foot ($2,622,000)	$1,200 per square foot ($8,041,200)
Interim Rent During Construction	12% of gross revenues	12% of gross revenues	12% of gross revenues
Deposit	Equal to ½ of the initial MAG (subject to mid-term adjustment)	Equal to ½ of the initial MAG (subject to mid-term adjustment)	Equal to ½ of the initial MAG (subject to mid-term adjustment)
Early Termination	Airport may terminate with 6 months written notice, if space is needed for Airport's 5-Year or 10-Year Capital Plan	Airport may terminate with 6 months written notice, if space is needed for Airport's 5-Year or 10-Year Capital Plan	Airport may terminate with 6 months written notice, if space is needed for Airport's 5-Year or 10-Year Capital Plan
Promotional Charge	$1 per square foot per year	$1 per square foot per year	$1 per square foot per year
Pest Control Fee	$75 per month, subject to adjustment	$75 per month, subject to adjustment	$75 per month, subject to adjustment
Cleaning Fee	None	None	$27.50 per square foot (subject to adjustment)
Infrastructure Fee	None	None	$15,773 per year for installation of Terrazzo and/or Trellis

Source: Proposed leases

Minimum Annual Guaranteed Rent (MAG)

The Airport sets MAG rents for each lease at 85 percent of projected percentage rent. The MAG rents for the proposed leases were advertised in the 2023 RFP. According to Alex Mann, Assistant Director of Revenue Development and Management at the Airport, the Tastes on the Fly Food Hall lease (File 23-1073) has a greater MAG rent because the allocated square footage of the location is larger and will include more diverse food selections compared to the other two lease locations. In addition, Assistant Director Mann anticipates that the Tastes on the Fly Food Hall lease will generate greater revenues than the other two leases.

Minimum Investment

Each lease requires a minimum investment of $1,200 per square foot for space improvements, paid for by the tenants. According to the proposed leases, these improvements may include refurbishing and redecorating the spaces. Tenants pay the Airport 12 percent of any sales that occur during the construction period.

Commencement Date

The leases will commence once the space improvements are completed. The Airport expects the concessions for all three leases to be open in August 2024. The MAG rent on lease commencement would be the amount advertised in the 2023 RFP with CPI adjustments annually thereafter.

FISCAL IMPACT

Under the terms of each lease, the tenants would pay the greater of MAG rent or tiered percentage rent of gross revenues. Over the initial 14-year lease terms, the total value of the MAG rent would be at least $31,500,000. If the two-year options to extend the leases are executed, the value of the MAG rent would be at least $4,500,000. The total value of the MAG rent over 16 years would be at least $36,000,000, as shown in Exhibit 3 below.

Exhibit 3: MAG Rents of Proposed Leases

Tenant	MAG Rent	MAG Rent over Initial Term (14 Years)	MAG Rent over Option Term (2 Years)	Total MAG Rent (16 Years)
Tastes on the Fly, Historic (File 23-1060)	$550,000	$7,700,000	$1,100,000	$8,800,000
Amoura International, Casual (File 23-1061)	450,000	6,300,000	900,000	7,200,000
Tastes on the Fly, Food Hall (File 23-1073)	1,250,000	17,500,000	2,500,000	20,000,000
Total	**$2,250,000**	**$31,500,000**	**$4,500,000**	**$36,000,000**

Source: BLA analysis of proposed leases

According to Assistant Director Mann, the Airport anticipates each of the leases to exceed MAG rent every year, and therefore, rent will be calculated based on the percentage of gross revenues. Assistant Director Mann states that the forecasted percentage rent for each of the leases over the 14-year initial term are as follows: (1) at least $20,692,000 for the Tastes on the Fly Food Hall lease (23-1073), at least $6,580,000 for the Amoura International Casual Sit-Down Restaurant lease (23-1061), and at least $9,604,000 for the Tastes on the Fly Historic Restaurant lease (File 23-1060).

RECOMMENDATION

Approve the proposed resolutions.

Item 11 File 24-0136	Department: San Francisco Municipal Transportation Agency (MTA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a continuation payment of $4,350,000 to Potrero Neighborhood Collective LLC (PNC), per the terms of a predevelopment agreement between PNC and the MTA for the Potrero Yard Modernization Project.

Key Points

- The Potrero Yard Modernization Project (the Project) will replace the existing Potrero bus yard and two-story building with a modern, four-story bus maintenance and storage facility and up to 465 affordable housing units, some of which would be constructed on top of the bus yard. An alternative proposal for the project would construct a fifth floor on top of the bus yard for paratransit operations and vehicle storage and 104 affordable units along Bryant Street if construction of additional housing is infeasible.
- In March 2021, the Board of Supervisors granted the MTA exemption from certain procurement and contracting requirements for the Project. MTA selected PNC, led by Plenary Americas US Holdings Inc., to deliver the project through a competitive process.
- The developer is in phase two of three required by the predevelopment agreement and has completed initial drafts for bus yard development agreement, the housing and commercial development plan, contractor procurement plans, submitted project plans for environmental review, and initiated due diligence work on the Potrero Yard site. The predevelopment work will result in a series of project agreements to deliver a new bus yard and housing to the site.
- The agreement provides for a potential termination payment not to exceed $9,990,000 and potential continuation payment of $4,350,000 once the project has received necessary Planning entitlements and approvals. Because predevelopment work will soon achieve those milestones, the developer is eligible for the continuation payment, which pushes the potential cost of the predevelopment agreement from $9,990,000 to $14,340,000.

Fiscal Impact

- The proposed continuation payment of $4,350,000 is funded by transportation sales tax.

Policy Consideration

- In part because base project costs could exceed $1 billion, while considering municipal code waivers for procuring the project contractors, the Budget & Finance Committee requested MTA bring a term sheet for the project agreement to the Board of Supervisors for review and endorsement before the final agreements are submitted for Board approval. The project agreement will likely be finalized by Fall 2024 but MTA has no plans to bring a term sheet to the Board of Supervisors.

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) any modification to such contracts of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

Potrero Yard Modernization Project

Potrero Yard, a 4.4-acre site located at Bryant Street and Mariposa Street, is a 100-year-old facility that currently serves as a trolley bus storage yard and maintenance facility. The Potrero Yard Modernization Project (the Project) will replace the existing trolley bus yard and two-story building with a modern, four-story bus maintenance and storage facility (Bus Yard Component) to expand capacity, improve worker safety, enhance worksite efficiency, and align the worksite with City policy objectives related to environmental sustainability. The site is being developed through a "joint development" model, and the proposed Project would also add approximately 2,886 square feet of ground floor commercial space and housing adjacent to and above the Bus Yard Component to provide 465 units of housing (Housing and Commercial Component), all of which would be affordable to low- to moderate-income residents.[1] The proposed 465 housing units include 104 units of housing in a 13-story building along Bryant Street and 361 housing units to be constructed on top of the bus yard facility.

Project Phasing and Paratransit Alternative Proposal

If construction of the 361 units above the bus yard is infeasible due to inadequate financing, an alternative proposal would extend the bus yard facility onto the fifth floor to house MTA's Paratransit division, including administrative and operation spaces and paratransit vehicle storage. The alternative proposal would still provide the low-income 104 units of housing along Bryant Street.

The proposed Project will be constructed in three phases. Phase 1 includes construction of the MTA bus maintenance and storage facility. Phase 2 includes construction of housing along Bryant Street, and Phase 3 includes construction of housing on top of the bus maintenance and storage facility.[2] According to MTA staff, the Paratransit alternative proposal can only move forward after a specified timeframe (to be determined in the forthcoming Project Agreement for the Bus Yard

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[1] According to MTA, 465 housing units would be composed of 247 low-income (80% AMI or below) units and 218 moderate-income (81% - 120% AMI) units. Units range from studios to family-sized units (three bedrooms or more.

[2] If funding becomes available, Phase 2 – Bryant Street housing could occur at the same time as Phase 1 – the bus facility.

Component) following completion of Phase 1 if the additional housing units are not financially feasible.

According to MTA staff, construction of the bus yard is anticipated to begin in early 2025 and end in early 2028 and to cost approximately $500 million for design and construction of the bus yard. The earliest start date of construction of the housing on Bryant Street is in early 2025 (concurrent with bus yard) and end in early 2027. The latest start date of construction of housing on Bryant Street is early 2028, and ends in early 2030. The earliest start date of construction of phase 3 (housing on bus yard) would follow completion of the bus yard and the latest start date would be three years after completion of the bus yard. However, construction of housing is not funded by MTA, and the cost is to be determined, and the schedule for the housing could be affected.

Procurement

In March 2021, the Board of Supervisors granted the MTA exemption from certain procurement and contracting requirements of Chapters 6, 14B, and 21 of the Administrative Code to facilitate a joint development delivery method for the Project and permit a best-value selection of the developer team (File 20-0947).[3]

In August 2020, the MTA issued a Request for Qualifications and received four responses in November 2020. The MTA selected three developers to participate in a Request for Proposals (RFP), issued in April 2021, to develop the project, including: (1) Potrero Mission Community Partners, led by John Laing Limited and Edgemoor Infrastructure & Real Estate LLC; (2) Potrero Neighborhood Collective, led by Plenary Americas US Holdings Inc.; and (3) Potrero Yard Community Partners, led by Fengate Asset Management and Emerald Fund, Inc. The initial RFP process was nine months, during which time the three teams developed their conceptual drawings and met separately with MTA staff on a regular basis.

The proposals were due December 30, 2021. Proposers submitted both a Technical Proposal and a Financial Proposal, which were evaluated by two separate evaluation panels.[4] Technical proposals were evaluated based on project overall concept design, bus yard functionality, asset management program, and project management. Financial proposals were evaluated based on the proposed fixed budget limit, the share of common infrastructure (i.e., the physical infrastructure component of the infrastructure facility that is shared by

[3] Chapter 6 of the Administrative Code contains policies for the City's public works procurements. Chapter 14B contains policies for Local Business Enterprise and non-discrimination in the City's contracting processes. Chapter 21 contains policies related to the City's contracting process for commodities and professional services. The Project is not exempt from certain prevailing wage, First Source Hiring, Local Business Enterprise, and State Apprenticeship Program requirements.

[4] The technical evaluation committee included MTA Finance Manager for Special Projects, San Francisco County Transportation Authority Deputy Director for Capital Projects, the Office of Economic and Workforce Development (OEWD) Deputy Director of Joint Development, and SamTrans Deputy Director for Caltrain Transit-Oriented Development and Real Estate Planning. The financial evaluation committee included City of Oakland Director of Finance, Office of Public Finance Principal Debt Analyst, and Planning Department Director of Administration.

the Bus Yard Component and the Housing and Commercial Component) cost allocated to the City, the feasibility of the infrastructure facility commercial structure, and the Housing and Commercial Component organizational, financial, and operations plan. Following evaluation of the proposals, two of the three proposers were determined to be qualified, including Potrero Mission Community Partners, and Potrero Neighborhood Collective (PNC).[5] According to MTA staff, the initial proposal from Potrero Mission Community Partners did not achieve the minimum technical bus yard functionality passing score and the overall proposal was not scored.

In May 2022, MTA issued an RFP addendum to request proposal revisions from the two qualified proposers. The purpose of the proposal revisions was to allow proposers to validate pricing, feasibility, and design proposal quality according to MTA staff. Potrero Mission Community Partners did not submit a revised proposal. However, the revised proposal from PNC met expectations and MTA selected PNC to deliver the project.

Lead Developer and Other Developers and Consultants

Plenary Americas US Holdings, Inc.[6] is the controlling equity member of Potrero Neighborhood Collective, the lead developer. PNC also includes affordable and workforce housing developers, design consultants, construction management consultants, and an infrastructure facility maintenance consultant, as shown in Exhibit 1 below.

Exhibit 1: Potrero Neighborhood Collective

Lead Developer	Plenary Americas US Holdings, Inc.
Affordable Housing Developers	Mission Economic Development Agency Young Community Developers, Inc. Tabernacle Community Development Corp
Workforce Housing Developers	Plenary Americas US Holdings, Inc.
Design Consultants	IBI Group, A California Partnership Y.A. studio
Construction Management Consultants	Plant Construction Company, L.P. The Allen Group, LLC
Infrastructure Facility Maintenance Consultant	WT Partnership

Source: Predevelopment Agreement, Appendix I

[5] PNC received a technical score of 4,240 (out of 5,500 possible) and a financial score of 4,358 (out of 4,500 possible) for a total score of 8,598 out of 10,000 points possible.

[6] According to its website, Plenary Americas is a long-term investor, manager, and developer of public and private infrastructure, with a focus on public-private partnerships. Plenary Americas is owned by CDPQ, an institutional investor that manages insurance programs and pension plans in Quebec.

Predevelopment Agreement

In November 2022, the MTA executed a predevelopment agreement with PNC, per authorization granted by the MTA Board of Directors. The predevelopment agreement covers the Project's predevelopment activities, including development of financing plans, schematic designs, and maintenance plans, project entitlements, and contractor procurement to design and build the bus yard and maintain the infrastructure. The agreement also provides the terms for the MTA and PNC negotiations to develop the terms for one or more project agreements to deliver the Bus Yard and Housing and Commercial Components. The project agreements will be subject to Board of Supervisors' approval.

PNC is responsible for funding predevelopment activities during the term of the predevelopment agreement. Predevelopment activities include design work, preparation of project schedules and negotiating the project agreements for the bus yard, housing, and commercial space development components of the project, developing financing plans for the project, obtaining permits and entitlements, and developing a plan to procure contractors, including local business enterprises, for project delivery. The agreement provides for a potential termination payment not to exceed $9,990,000 and potential continuation payment of $4,350,000 once the project has received necessary Planning entitlements and CEQA approvals. Because the needed CEQA approval is completed, the developer is eligible for the continuation payment if the Board of Supervisors approves the related special use district and General Plan amendment ordinances for the project, which pushes the potential cost of the predevelopment agreement from $9,990,000 to $14,340,000, and therefore requires Board of Supervisors' approval under City Charter Section 9.118(b).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a continuation payment of $4,350,000 to Potrero Neighborhood Collective LLC (PNC), per the terms of a predevelopment agreement between PNC and the MTA for the Potrero Yard Modernization Project.

Under the predevelopment agreement, once final CEQA approvals and Planning entitlements are obtained, project work will be suspended unless the MTA issues a notice to proceed to continue project work (Continuation Notice). The City must make a payment of $4,350,000 (Continuation Payment) to PNC within 45 business days of issuing the Continuation Notice, subject to MTA Board and Board of Supervisors' approval.

According to the proposed resolution, if the Board of Supervisors approves companion ordinances that make amendments to the General Plan and create a special use district, the Project will have received all necessary Planning entitlements and CEQA approvals, including:

- Certification of the Final Environmental Impact Report
- Approval of the conditional use authorization for the Project and determination that the Project is consistent with the General Plan
- General Plan amendments and creation of a special use district to facilitate the Project, subject to Board of Supervisors approval (Files 23-1256 and 24-0047)

- Adoption of CEQA findings, including the statement of overriding considerations and the Mitigation Monitoring and Reporting Program

Key terms of the predevelopment agreement are provided in Exhibit 2 below.

Exhibit 2: Key Terms of Predevelopment Agreement

Term	Term Start: Nov 2, 2022 Term End: earlier of May 23, 2024 or execution of Project Agreements, for a maximum term of 568 days
Term Extensions	Term may be extended upon written consent of MTA and PNC
Performance Milestones	Appendix B-1 outlines three phases of work, detailed performance milestones, and dates for completing the milestones. Each phase may only proceed after the City issues a Notice to Proceed (NTP). The 1st NTP may be issued after execution of the agreement. The 2nd NTP may be issued after 50% schematic design and final asset management program deliverables submitted. The 3rd NTP may be issued after 100% schematic design, contractor short lists from the RFQ process, and final design-build RFP and infrastructure facility maintenance RFP submitted.
Phase 2 Floating Milestone	Phase 2 Floating Milestone occurs when final CEQA approvals and Planning entitlements are obtained for the Project. Phase 2 work will be suspended unless the City issues a NTP to continue Phase 2 work (Continuation Notice).
Continuation Payment	City must make a payment of $4,350,000 to PNC within 45 business days of issuing the Continuation Notice for Phase 2 work, subject to MTA Board and Board of Supervisors' approval.
Termination	City has the right to terminate the agreement at any time by providing at least 10 days written notice to the Lead Developer.
Termination Payment	If the agreement is terminated for any reason except Lead Developer default, the MTA must make a termination payment of up to $9,990,000. The termination payment amount will depend on the project phase, and the amount may not exceed the Lead Developer's qualified costs of performing the work.
Fixed Budget	Project budget may not exceed the amount from PNC's proposal ($391,567,596) and is the sum of design and construction costs for the Bus Yard and MTA's share of costs for Common Infrastructure, Infrastructure Facility Maintenance, and PNC's predevelopment costs. The fixed budget limit can be adjusted due to MTA changes to the Project, changes to applicable law, and unknown conditions. In addition, the budget can be adjusted to reflect updated cost of construction escalation and insurance. 55.1% of common infrastructure costs will be allocated to the MTA and 44.9% will be allocated to the Housing Component.
Due Diligence & Design	Lead Developer to conduct due diligence to assess physical, geological, and environmental conditions prior in advance of schematic design and engineering.

Asset Management & Infrastructure Facility Maintenance	Lead Developer to develop the scope of the Infrastructure Facility Maintenance and the Asset Management Program. Asset Management Program will inform procurement of the design-build contract and infrastructure facility maintenance contract and performance requirements for the Housing Component property management.
Contractor Procurement	Lead Developer must prepare the design-build contract and the infrastructure facility maintenance contract and select the contractors through a competitive process.
Housing Component	Lead Developer is responsible for predevelopment activities for the Housing and Commercial Component and for developing the Housing and Commercial Component Development plan, including a schedule of development, draft Housing Component term sheet, and feasibility and financing analyses. The Housing Component must achieve substantial completion within one year after substantial completion of the infrastructure facility, and construction of the Housing Component must not interfere with transit operations. However, MTA staff advise that this requirement will likely be modified in the forthcoming project agreements, as housing on top of the bus facility may be delivered later.
Project Agreements & Approvals	PNC and MTA will negotiate the terms of the Project Agreements and other agreements required to deliver the project. The Project Agreements must be approved by the MTA Board and the Board of Supervisors.

Sources: Predevelopment Agreement, MTA Staff Report on Predevelopment Agreement for November 1, 2022 MTA Board Meeting

Project Agreement

The culmination of predevelopment work will result in transaction documents to deliver the Bus Yard Components, and Housing, and Commercial Components. Transaction documents include the Bus Yard Project Agreement and Housing Agreements. Given the size of the project, it will require Board of Supervisors' approval. According to MTA staff, the Bus Yard Component Project Agreement will likely have the developer finance the cost of the bus facility up front and then be compensated for delivering the project and maintaining the infrastructure over the 30-year term of the infrastructure facility. Under the pending Bus Yard Component Project Agreement, which is still being negotiated, MTA will make a milestone payment at substantial completion of the bus facility and will make "availability payments" during the infrastructure facility term. The availability payments are for the bus facility and will be funded by MTA's budget, according to MTA staff. The availability payment will be determined in the forthcoming project agreement and will reflect the amount that MTA estimates it will have available to pay for the project. The availability payment amount is affected by economic conditions, including interest rates, construction costs, and maintenance costs.

FISCAL IMPACT

The proposed resolution would approve a continuation payment of $4,350,000 to PNC to allow project work to continue under the predevelopment agreement. The payment is funded by transportation sales tax, as approved by the Transportation Authority's Board on December 5, 2023. The amount of the continuation payment is based on an appraisal of the project site.

POLICY CONSIDERATION

Summary

The proposed resolution approves a $4.35 million payment to Potrero Neighborhood Collective, LLC, a consortium of developers, to continue predevelopment work related to the Potrero Yard project. The developer is performing work for phase two of three required by the predevelopment agreement and has completed initial drafts for Bus Yard Component project agreement, the housing and commercial development plan, contractor procurement plans, submitted project plans for environmental review, and initiated due diligence work on the Potrero Yard site. The predevelopment work will result in a series of project agreements to deliver a new bus yard and housing to the site. The project agreements will likely be finalized by Fall 2024 and will be subject to approval by the MTA Board of Directors and the Board of Supervisors.

Base project costs (before debt service) for the new bus yard are estimated at $500 million and new housing could cost $104 million to $500 million or more, depending on the number of units and shared infrastructure costs. The funding for project costs, including the housing, should be determined as part of finalizing the project agreements. In addition, project delivery phasing is still uncertain – the current concept includes 361 housing units to be constructed on top of the active bus yard years after the bus yard construction is complete.

Term Sheet for Project Agreement

In part because base project costs could exceed $1 billion, in March 2021, while considering municipal code waivers for procuring the project contractors (File 20-0947), at its March 3, 2021 meeting the Budget & Finance Committee verbally requested MTA bring a term sheet for the project agreements to the Board of Supervisors for review and endorsement before the final agreement is submitted for Board approval. The purpose of the term sheet would be to provide non-binding policy guidance to the MTA as it finalizes the project agreement, such as which procurement and public integrity controls to include in the final agreements. According to MTA staff, the project agreements will likely be finalized by Fall 2024 but MTA has no plans to bring a term sheet to the Board of Supervisors.[7] However, because MTA is not responding to term sheet request by the Board of Supervisors, we consider approval of this resolution to be a policy matter.

RECOMMENDATION

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

[7] MTA staff note that they the project team participates in the Potrero Yard Neighborhood Working Group, which includes monthly community meetings.

Item 12 File 24-0107	Department: Office of Contract Administration

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize a contract agreement between the Office of Contract Administration (OCA) and Allied Waste Services, LLC to provide refuse collection and disposal services for City facilities. The proposed agreement has an initial term of seven years, beginning in April 1, 2024 through March 30, 2031 for a total not to exceed amount of $79.4 million with an option to extend the term for three years through March 30, 2024, for a total contract not to exceed amount of $119 million.

Key Points

- The proposed agreement was awarded following a competitive procurement process in which Allied Waste and Recology submitted proposals. Allied Waste was the highest scoring proposer and the City estimates savings of approximately $13.3 million over the course of the initial seven-year duration of the Allied Waste proposal compared to the Recology proposal.
- Per the City's 2015 Landfill Agreement with Recology SF, trash will continue to be directed to the Hay Road Landfill in Vacaville through July 2024. The Landfill agreement has an option to extend the term, which would require Board of Supervisors' approval. Recycling will be transported to Newby Island in Milpitas and compost will be directed to the East Bay Municipal Utility District plant in Oakland.
- The SF Planning Department's analysis of the proposed agreement with Allied Waste Services determined the marginal environmental impact of the refuse collection contract with Allied Waste is within the scope of the existing environmental impact reports and no further environmental analysis is needed.
- Contract compliance will be monitored by OCA while SF Environment will monitor refuse management performance and adherence to Zero Waste Program objectives.

Fiscal Impact

- 98 percent of expenditures under the proposed agreement consist of Refuse Collection Services, followed by additional charges pertaining to compactor leases, overage charges, and contamination fees. The total not-to-exceed expenditure estimates for the 7 and 10-year terms of $79.4 million and $119 million, respectively, include a 15 percent contingency.
- The contract expenditures will be directly invoiced to and paid by individual City departments out of their operating budgets and will therefore be sourced from General Fund and enterprise funds.

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

Contract History

City refuse services are currently operated by Recology San Francisco. The current agreement was first executed in December 2020 for a term of seven months and a total amount not to exceed $5,600,000. Originally, the Board of Supervisors had recommended approval of a resolution that would have authorized a $62.5 million agreement with Recology SF for a term of six years (File 20-1213), but the item was referred back to Committee after a Recology executive was federally charged for bribing the Director of Public Works to set residential refuse collection rates for Recology's financial benefit. A second and third amendment to the December 2020 agreement was executed in June 2021 and June 2022, respectively, with the most recent term expiring on June 30, 2024.[1] There are no options to extend the current agreement with Recology.

Solicitation

OCA issued a competitive Request for Proposals (RFP) in June 2022 to solicit proposals for providing refuse services to San Francisco City departments and facilities for a term of seven years, beginning in July 2024. Four additional, revised RFPs were issued between June and September 2022 and final submissions were submitted to the department September 30, 2022. The RFP revisions primarily pertained to procurement timelines; however, version two of the RFP softened a minimum qualification requirement by reducing the number of years proposers needed to have in collecting 17,000 tons of source-separated refuse from eight years to three years within an eight-year period. According to OCA, this change was made to ensure the requirements were not so restrictive as to reduce competition.

Projects were evaluated according to criteria established in the RFP, including cost (40 points) and written qualifications and project plans (50 points), and an oral interview (10 points), for a total possible 100 points. Exhibit 1 below shows the scoring breakdown of each proposal.

[1] Files 21-1083 and 22-0422.

Exhibit 1: Results of Scoring Panel

Score	Allied Waste	Recology SF
Written Proposal	40.175	43.873
Interview	7.658	8.493
Price Proposal	40.000	34.824
Total	**87.833**	**87.189**

Source: OCA

Based on the RFP and results from the scoring panel, OCA awarded the refuse services contract to Allied Waste Services, the highest scoring proposer. Of note, Allied Waste received 40 out of 40 possible points in the pricing portion of their proposal. The City estimates savings of approximately $13.3 million throughout the initial seven-year duration of the Allied Waste proposal compared to the Recology proposal.

DETAILS OF PROPOSED LEGISLATION-

The proposed resolution would approve and authorize the Office of Contract Administration to enter into an agreement with Allied Waste Services of North America, LLC. The initial term of the contract is seven years, beginning on April 1, 2024, through March 30, 2031, and has a not to exceed total of $79.4 million. The proposed agreement includes an option to extend the contract for an additional three years through March 30, 2024, with a total not-to-exceed amount of $119 million.

Proposed Services

The proposed agreement requires that refuse collection services must begin no later than July 1, 2024. Once services start, and throughout the contract term, Allied Waste must provide clean and serviceable bins and other related materials as necessary to complete the scope of services at City facilities. Additional materials such as compactors may be bought or leased by departments at an additional charge. Per the scope of services outlined in the proposed contract, Allied Waste Services must adhere to the Zero Waste Program requirements which include identifying opportunities to decrease trash and increase recycling and composting, identifying opportunities to reduce the level of refuse services, aim to recycle or compost the maximum amount of material collected, and deliver up to 50 cubic yards of compost a month pursuant to City targets under SB 1383.[2] Allied Waste must also provide ongoing and effective customer support to City departments which includes technical assistance, audits and inspections, and education and outreach.

[2] SB 1383 requires California cities and counties to annually procure a designated quantity of organic waste products to use for landscaping or civil engineering applications. San Francisco is required to procure 70,001 metric tons of organic waste per year.

Processing and Transport

Under the proposed agreement, Allied Waste Services would be responsible for the collection, transportation, and processing of all waste from City departments and associated facilities. The proposed agreement does not impact Recology's collection of refuse from residential and commercial sites in San Francisco.

- Trash: Allied Waste Services will deliver approximately 42.5 tons of trash per day to the Recology Transfer Station on Tunnel Avenue in San Francisco after being collected along established routes. Recology will then transport the refuse to the Recology Hay Road Landfill located in Vacaville. If this is not possible, Allied Waste Services will deliver collected refuse to the Ox Mountain Sanitary Landfill in Half Moon Bay where it would be consolidated and transported, by Allied Waste Services, to the Hay Road Landfill.

  The Department of Environment's Landfill Agreement with Recology designates the Recology landfill on Hays Road in Vacaville to be the City's exclusive landfill site. The 2015 landfill agreement has an initial term that ends on the earlier of nine years or when the City has deposited 3.4 million tones of waste to the landfill. The agreement has one option to extend by six-years and/or an additional 1.6 million tons of waste. The Department of Environment is planning to exercise the option to extend the landfill agreement before the initial term ends in approximately July 2024. The option to extend the landfill agreement will require Board of Supervisors under Charter Section 9.118 because the extension will push agreement's term beyond ten years.

- Recycling: Allied Waste Services will collect an estimated 34.7 tons of recyclable materials per day to be delivered to the Ox Mountain Sanitary Landfill for offloading and consolidation. Allied Waste Services will then transport consolidated recyclables to the Newby Island Resource Recovery Park in Milpitas for recycling.

- Compost: Allied Waste Services will collect approximately 14.9 tons of compostable materials per day to deliver them to the Contra Costa Transfer and Recovery Station for off-loading and processing. Allied Waste Services will then collect and deliver compostable material to the East Bay Municipal Utility District (EBMUD) Wastewater Treatment Plant in Oakland.

In accordance with California law and City regulations,[3] the San Francisco Planning Department evaluated the components of the contract with Allied Waste Services to determine the environmental impact of the agreement—both relative to the original arrangement with Recology and considering the plans to modify the facilities at the Ox Mountain Sanitary Landfill. As it stands, there are three documents that evaluate the City's refuse program: (1) The 2015 final negative declaration for the Agreement for Disposal of San Francisco Municipal Solid Waste at Recology Hay Road Landfill; (2) the 2012 final Environmental Impact Report for the Newby Island Sanitary Landfill and the Recyclery Rezoning Project; and (3) the 2011 final Environmental Impact Report for the Main Wastewater Treatment Plan Land Use Master Plan. SF Planning's

[3] CEQA guidelines sections 15164 and 15162 allow for the use of an addendum on modified projects to forego additional environmental review processes, provided certain requirements are met.

analysis concluded that the project modifications with Allied Waste Services fall within the scope of extant environmental review.

DPH Permitting

On January 10, 2024, the Department of Public Health (SF) issued a conditional permit to Allied Waste Services to operate fourteen Refuse Collection Trucks to service approximately 383 San Francisco City Department facilities in accordance with the City's Health Code.[4] In order to operate the truck fleet and receive an official Permit to Operate, Allied Waste must submit the following documents to DPH: (1) an updated Refuse Collection Truck Inventory Sheet indicating truck numbers, business route numbers, and the day and time of collection; (2) written documentation verifying approval of "San Francisco Project Planning Application for Environmental Review;" and (3) written documentation verifying approval of the OCA contract. Furthermore, Allied Waste must schedule, obtain, and pass inspection of their 14-truck fleet from DPH to verify compliance with state and local regulations.

Director of DPH Environmental Health Patrick Fosdahl informed BLA that Allied Waste has not yet fulfilled any of the requirements outlined in the conditional permit. OCA, however, confirmed that the process of meeting these conditions would not begin until the proposed agreement receives approval from the Board of Supervisors and Mayor. Mr. Fosdahl did not indicate whether there is a deadline for the conditions to be met by Allied Waste. Furthermore, DPH is unable to explain the difference in the number of trucks requested in the DPH application and the 17-truck fleet described in the Planning Analysis.

Performance Monitoring

Per OCA Director Sailaja Kurella, OCA will assume responsibility for monitoring contract performance, which includes review of customer service issues, compliance with reporting and auditing requirements, and ability to meet contracted service levels. Furthermore, SF Environment will oversee Allied Waste Service's performance standards under the Zero Waste Program. Up to two staff at ENV will manage the Zero Waste component of the contract and monitor compliance of both Allied Waste and City Departments by evaluating the Customer Support program (technical assistance, inspections and audits, and outreach and education) and reviewing reports related to usage, recovery and disposal, and refuse audits.

The proposed agreement also adds a customer service component, including a 24-hour helpline.

FISCAL IMPACT

The proposed resolution would approve a contract between OCA and Allied Waste Services, LLC for a total not to exceed $79,416,725 for a term of seven years. The agreement includes an option to extend the contract for three additional years with a total amount not to exceed $118,853,596. The proposed not-to-exceed amounts include a 15 percent contingency to account for new

[4] San Francisco Health Code Article 12, Section 714 requires all persons, firms, partnerships, or corporations maintaining, conducting, or operating refuse collection trucks within City limits must obtain a permit of operation from the Department of Public Health.

collection locations, increased collection frequency, and future rate increases. OCA currently estimates annual rate increases to increase alongside the Consumer Price Index at 3.02 percent each year. Exhibit 2 below summarizes the not-to-exceed expenditure projections for the initial and extended terms.

Exhibit 2: Not-to-Exceed Annual Expenditure Estimates

	Year One	Initial 7 Year Term	Ten Year Term
Refuse Collection	$8,884,739	$68,120,206	$101,947,434
Compactor Lease	94,263	722,726	1,081,619
Contamination	--	--	--
Overage	28,053	215,090	321,900
Subtotal	$9,007,056	$69,058,023	$103,350,953
Contingency (15%)		$10,358,703	$15,502,643
Total		**$79,416,725**	**$118,853,596**

Source: OCA
Notes: Contamination fees are expected to be paid with contingency allocations.

As shown above, the greatest anticipated expense to City departments will be the refuse collection charges, estimated to be $8.9 million in the first year of the contract or 98 percent of overall expenditures, The estimated annual compactor lease expenditures total $94,263 in the first year under the agreement and includes annual rental charges for 11 compactors. Overage charges, which are comprised of fees related to overfilled bins, are estimated to incur $28,053 in year one. OCA has not estimated contamination fee charges.

Rates

Refuse collection costs are based on rates included in Appendix B of the proposed agreement, which vary depending on the size and frequency of refuse collections. Rates may be escalated annually by a regional inflation index. The contract includes a discount off the base collection rates (the "recovery discount"), based on the percent by volume of total materials that are recovered (e.g., recyclable and compostable materials) at each collection location. The recovery discount is defined in the RFP but not included in the draft agreement. At the recommendation of the Budget & Legislative Analyst, OCA is adding the recovery discount language to the final agreement.

Sources of Funding

The contract spending will be covered by the operating budgets of individual City departments, and therefore a mix of General Fund and enterprise funds.

RECOMMENDATION

Approve the resolution.