

File No. 180082

Committee Item No. 1

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date March 1, 2018

Board of Supervisors Meeting

Date _____

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
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- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong Date February 23, 2018

Completed by: Linda Wong Date _____

1 Appropriation - San Francisco Municipal Transportation Agency (SFMTA)-Sutter Stockton
2 Garage Operating and Retail Rentals Revenues to SFMTA Sustainable Streets Operating
3 Fund for the Parking Management Operations - FY2017-2018 - \$7,145,350

4 **Ordinance appropriating \$7,145,350 of San Francisco Municipal Transportation Agency**
5 **(SFMTA)-Sutter Stockton Garage operating and retail rentals revenues to the SFMTA**
6 **Sustainable Streets operating fund for the Sutter Stockton Garage parking**
7 **management operations in FY2017-2018.**

8
9 Note: **Unchanged Code text and uncodified text** are in plain Arial font.
10 **Additions to Codes** are in *single-underline italics Times New Roman font*.
11 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
12 **Board amendment additions** are in double-underlined Arial font.
13 **Board amendment deletions** are in ~~strikethrough Arial font~~.

14 Be it ordained by the People of the City and County of San Francisco:

15 Section 1. The sources of funding outlined below are herein appropriated to reflect the funding
16 available for Fiscal Year 2017-2018.

17 **SOURCES Appropriation**

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
22870 MTA SM Op	10001725-0001	435223	Sutter Stockton	\$6,593,750
Annual Account Ctrl/	MG Parking Garage &		Garage Revenue	
XXXXX	Lot Operation/			
	10000 Operating			

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Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
22870 MTA SM Op	10001725-0001	XXXXXX	Sutter Stockton	\$551,600
Annual Account Ctrl/ XXXXX	MG Parking Garage & Lot Operation/ 10000 Operating		Garage Retail Rentals Revenue	
Total SOURCE Appropriation				\$7,145,350

Section 2. The uses of funding outlined below are herein appropriated in Account 527000 (Professional & Specialized Services - Budget) and Account 552110 (Taxes) to fund Sutter Stockton Garage parking management operations in the Municipal Transportation Agency for Fiscal Year 2017-2018.

USES Appropriation

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
22870 MTA SM Op	10001725-0001	527000	Professional Services	\$5,826,600
Annual Account Ctrl/ XXXXX	MG Parking Garage & Lot Operation/ 10000 Operating			

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Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
22870 MTA SM Op	10001725-0001	552110	Parking Taxes	\$1,318,750
Annual Account Ctrl/ XXXXX	MG Parking Garage & Lot Operation/ 10000 Operating			
Total USES Appropriation				\$7,145,350

Section 3: The Controller is authorized to record transfers between funds and adjust the accounting treatment of sources and uses appropriated in this ordinance as necessary to conform to Generally Accepted Accounting Principles.

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: BCH
BUCK DELVENTHAL
Deputy City Attorney

FUNDS AVAILABLE
BEN ROSENFELD, Controller

By: [Signature]
BEN ROSENFELD
Controller

<p>Items 1 and 2 Files 18-0057 & 18-0082</p>	<p>Department: Municipal Transportation Agency (MTA)</p>
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EXECUTIVE SUMMARY

Legislative Objectives

The proposed legislation would approve: (1) a resolution to terminate the lease agreement between the City and County of San Francisco and the Uptown Parking Corporation for the management of the Sutter Stockton Garage and would authorize the Director of Transportation to execute a Lease Termination Agreement effective February 28, 2018 (File 18-0057); and (2) an ordinance to appropriate \$2,837,223 of San Francisco Municipal Transportation Agency (SFMTA) Sutter Stockton Garage operating and retail rental revenues to the SFMTA Sustainable Streets operating fund for the Sutter Stockton Garage parking management operations in FY 2017-18 (File 18-0082).

Key Points

- The Uptown Parking Corporation (Uptwon) is a non-profit corporation established to issue bonds and construct the Sutter Stockton Garage. The SFMTA has determined that leasing the Sutter Stockton Garage to the Corporation is no longer in the best financial interest of the City, and proposes to terminate the lease with Uptown. Uptown would transfer the title and control of all monies, deposits, and accounts of the Corporation to the SFMTA within five business days of February 28, 2018.
- SFMTA would assume agreements that the Uptown Parking Corporation has previously entered into with 31 vendors and 15 subtenants under the proposed lease termination agreement. SFMTA would assume the daily operation of the Garage through its existing agreement for garage operations with Imperial Parking.

Fiscal Impact

- Based on the budget provided by SFMTA, the proposed lease termination would save the SFMTA an estimated \$39,160 annually by discontinuing redundant corporate oversight services, including marketing and legal services. According to SFMTA, SFMTA would realize an estimated \$60,000 in additional annual savings from the reduction of Uptown Parking Corporation staff that are no longer needed, for a total of \$99,160 in estimated annual savings.
- The proposed appropriation ordinance would (1) de-appropriate \$2,337,223 from the Sutter Stockton Garage’s operating revenue and \$460,000 from the Garage’s retail rental revenue, and (2) re-appropriate \$1,518,473 to the agreement between SFMTA and Imperial Parking, and \$1,318,750 to Parking Taxes, for a total appropriation of \$2,837,223.

Recommendations

- Amend File 18-0082 to appropriate (a) \$2,837,223 rather than \$7,145,350 in sources, including (i) \$2,377,223 in Operating Revenue, rather than \$6,593,750, and (ii) \$460,000 in Retail Rental Revenue, rather than \$551,600; and \$2,837,223 rather than \$7,145,350 in uses, including, (c) \$1,518,473 in Professional Services, rather than \$5,826,600, and (d) \$1,318,750 in Parking Taxes, which is unchanged.
- Approve the proposed resolution (File 18-0057), and the proposed ordinance as amended (File 18-0082).

MANDATE STATEMENT

City Charter Section 9.118(c) states that any modification, amendment or termination of a lease that had an initial term of ten years or more, including options to extend, or that had anticipated revenues of \$1 million or more is subject to Board of Supervisors approval.

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

BACKGROUND

The Sutter Stockton Garage (Garage) is a City owned parking garage under the jurisdiction of the San Francisco Municipal Transportation Agency (SFMTA), located at 444 Stockton Street. The Garage has approximately 1,900 parking spaces and provides approximately 29,500 square feet of retail/commercial space, currently leased to 15 tenants, and generates approximately \$14,290,700 in annual gross revenue (see Table 2 below).

The Uptown Parking Corporation is a non-profit 501 (c) 2 entity, dedicated to the operation of the Sutter Stockton and Union Square Garages. The Corporation was formed in 1956 for the sole purpose of assisting the City with the construction of the Sutter Stockton Garage through the sale of Uptown Parking Corporation bonds.¹ In 1959, the City leased the Garage to the Corporation through a lease agreement, which was subsequently replaced with a new lease agreement in 2013. Under the existing lease, the Corporation manages the day-to-day operations of the Garage with oversight and policy direction from the SFMTA. The existing lease included a provision that allows the City to terminate the lease at the Agency's convenience, upon 90 days' notice to the Corporation.

The SFMTA has determined that leasing the Sutter Stockton Garage to the Corporation is no longer in the best financial interest of the City. Since the execution of the 2013 lease, the SFMTA has expanded its capacity for direct garage management through the hiring of staff with technical knowledge, and through changes to policies and procedures for contracting and oversight to make them more efficient. In anticipation of the lease termination, the SFMTA assumed the daily operation of the Garage beginning February 1, 2018 through its existing agreement for garage operations with Imperial Parking². On November 1, 2017, the SFMTA Board of Directors approved a resolution authorizing the Director of Transportation to execute the proposed Lease Termination Agreement.

¹ In July 2012, the Uptown Parking Corporation bonds were fully paid off through the issuance of a revenue bond by the SFMTA.

² A Delaware limited liability corporation

DETAILS OF PROPOSED LEGISLATION

The proposed legislation would approve:

- A resolution to terminate the lease agreement between the City and the Uptown Parking Corporation for the management of the Sutter Stockton Garage, and to authorize the Director of Transportation to execute a Lease Termination Agreement effective February 28, 2018 (File 18-0057); and
- An ordinance to appropriate \$2,837,223 of SFMTA Sutter Stockton Garage operating and retail rental revenues to the SFMTA Sustainable Streets operating fund for the Sutter Stockton Garage parking management operations in FY 2017-18 (File 18-0082).

File 18-0082 appropriates \$7,145,350, rather than the actual amount of \$2,837,223. The proposed ordinance should be amended to appropriate:

(a) \$2,837,223 rather than \$7,145,350 in sources, including (i) \$2,377,223 in Operating Revenue, rather than \$6,593,750, and (ii) \$460,000 in Retail Rental Revenue, rather than \$551,600; and

(b) \$2,837,223 rather than \$7,145,350 in uses, including, (i) \$1,518,473 in Professional Services, rather than \$5,826,600, and (ii) \$1,318,750 in Parking Taxes, which is unchanged.

Details of the Proposed Lease Termination (File 18-0057)

According to Mr. Malone, SFMTA would assume all 15 leases with subtenants and 31 agreements with vendors that the Uptown Parking Corporation has entered into under the proposed lease termination. SFMTA would assume the daily operation of the Garage through its existing agreement for garage operations with Imperial Parking.

The Uptown Parking Corporation would transfer the title and control of all monies, deposits, and accounts of the Corporation to the SFMTA within five business days of February 28, 2018, and would provide an audit report and full accounting of all revenues, accounts, equipment, outstanding debts, and assets within 45 days of February 28, 2018. SFMTA would review the audit and accounting reports and provide comments and corrections within 30 days. Subsequent to any corrective actions which the SFMTA states that the Uptown Parking Corporation must make, SFMTA would hold the Uptown Parking Corporation, its Board Members, and officers harmless.

Under the proposed lease termination agreement, the City would have no obligation to any employee of the Uptown Parking Corporation, with the exception of the Corporate Manager, Mr. Anson Lee, and Corporate Accountant, Mr. Roel Payumo, who will be temporarily retained³ to perform administrative services including correcting the audit and accounting reports, and transferring accounts, books, and records from the Corporation to the SFMTA. According to the lease termination agreement, the City would enter into agreements with Mr. Lee and Mr. Payumo to act as consultants to the SFMTA through March 31, 2018. After March 31, 2018, the City would pay Mr. Lee and/or Mr. Payumo on an hourly basis for their services.

³ Mr. Lee and Mr. Payumo will be retained for no longer than 90 days after the lease termination date.

FISCAL IMPACT

Based on the budget provided by SFMTA, the proposed lease termination would save the SFMTA an estimated \$39,160 annually by discontinuing redundant corporate oversight services, including marketing and legal services, as shown in Table 1 below.

Table 1: Estimated Annual Savings from Proposed Lease Termination

Corporation Expenditures	
Taxes & Licenses Contingent	\$21,000
Marketing	1,800
Tenant Legal	15,760
Miscellaneous	600
Total	\$39,160

According to Mr. Ted Graff, SFMTA Director of Parking, SFMTA estimates additional annual savings of approximately \$60,000 from the reduction of Uptown Parking Corporation staff that are no longer needed⁴—for a total of approximately \$99,160 in annual savings. These savings would be reflected in the SFMTA’s proposed two-year FY 2018-19 and FY 2019-20 budget.

The proposed termination of the Uptown Parking Corporation Lease Agreement is consistent with the analysis and findings of the Controller’s June 2011 audit that questioned the need for continuing to have such leases with non-profit corporations when SFMTA could provide these services on an in-house basis. The Controller’s Office found that “leasing garages to non-profit corporations is unnecessarily costly to the City.”

Under the current lease agreement between the City and the Uptown Parking Corporation, the revenue from parking and other sources totaling \$14,290,700 for FY 2017-18, as shown in Table 2 below, is collected by the Corporation which, in turn, pays for the Sutter Stockton Garage operating expenses; any balance that is left over is paid to the SFMTA. As shown in Table 2 below, in the FY 2017-18 budget, net revenues of \$8,066,255 are paid to the SFMTA.

⁴ 50 percent of the costs for a corporate manager and an accountant

Table 2: The Garages' Expenditures & Revenues for FY 2017-18

Expenditures	
Operating Expenses*	\$3,036,945
Parking Tax	2,637,500
Capital Set-Aside**	<u>550,000</u>
Subtotal Expenditures	6,224,445
Revenue	
Parking Revenue***	13,187,500
Non-Parking Revenue	<u>1,103,200</u>
Subtotal Revenues	14,290,700
Total Balance Paid to SFMTA	\$8,066,255

*Includes personnel costs, utilities, services, supplies, and garage management as well as expenditures related to the Uptown Parking Corporation including corporate management personnel costs, corporate legal fees, trustee fees, and repayment for bonds.

**The Capital Set-Aside will no longer be applicable under the proposed lease termination

***Includes transient and monthly parking.

Details of the Appropriation (File 18-0082)

The proposed appropriation ordinance would (1) de-appropriate \$2,337,223 from the Sutter Stockton Garage's operating revenue and \$460,000 from the Garage's retail rental revenue, and (2) re-appropriate \$1,518,473 to Professional Services and \$1,318,750 to Parking Taxes. The total appropriation of \$2,837,223 is shown in Table 3 below.

Table 3: Sources and Uses of Appropriation

Sources	
Sutter Stockton Garage Operating Revenue	\$2,377,223
Sutter Stockton Garage Retail Rental Revenue	460,000
Total Sources	\$2,837,223
Uses	
Imperial Parking Agreement	\$1,518,473
Parking Taxes	1,318,750
Total Uses	\$2,837,223

The re-appropriation of \$2,837,223 in parking garage revenues is for the six-month period in FY 2017-18 from January 1, 2018 to June 30, 2018. According to Mr. Malone, Sutter Stockton Garage operating revenues and expenditures for FY 2018-19 will be included in the SFMTA's proposed two-year FY 2018-19 and FY 2019-20 budget.

RECOMMENDATIONS

1. Amend File 18-0082 to appropriate (a) \$2,837,223 rather than \$7,145,350 in sources, including (i) \$2,377,223 in Operating Revenue, rather than \$6,593,750, and (ii) \$460,000 in Retail Rental Revenue, rather than \$551,600; and \$2,837,223 rather than \$7,145,350 in uses, including, (c) \$1,518,473 in Professional Services, rather than \$5,826,600, and (d) \$1,318,750 in Parking Taxes, which is unchanged.
2. Approve the proposed resolution (File 18-0057), and the proposed ordinance as amended (File 18-0082).



BOARD OF SUPERVISORS
SAN FRANCISCO, CALIFORNIA

2018 JAN 23 PM 4:46

OFFICE OF THE MAYOR
SAN FRANCISCO

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *LCB* Acting Mayor London Breed *LCB*
RE: Appropriation – San Francisco Municipal Transportation Agency (SFMTA)
-Sutter Stockton Garage Operating and retail rentals revenues to SFMTA
Sustainable Streets Operating Fund for the parking management
operations in FY 2017-18 - \$7,145,350
DATE: January 23, 2018

Attached for introduction to the Board of Supervisors is an ordinance appropriating \$7,145,350 of SFMTA-Sutter Stockton Garage operating and retail rentals revenues to the Municipal Transportation Agency for the Sutter Stockton Garage parking management operations in FY 2017-2018.

I respectfully request that this item be heard in Budget & Finance Committee.

Should you have any questions, please contact Mawuli Tugbenyoh (415) 554-5168.

