CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Sub-Committee

FROM: Budget and Legislative Analyst

SUBJECT: May 11, 2016 Budget and Finance Sub-Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution (1) re-authorizes the issuance by the City of both tax-exempt and taxable lease revenue commercial paper certificates of participation; (2) replaces $100,000,000 in letters of credit currently held by J.P. Morgan Chase and U.S. Bank and expands the total letters of credit by $50,000,000 to $150,000,000; (3) authorizes financing documents, including the first supplement to the trust agreement, first amendment to the site lease, first amendment to the sublease, revolving credit agreements, fee agreement, dealer agreements, and other related financing documents; and (4) authorizes other related actions.

Key Points

- Commercial paper is short-term interim financing for capital projects that permits the City to pay capital project costs on an ongoing basis. The City's Commercial Paper Program allows the City to issue up to $250,000,000 in commercial paper to provide short-term interim financing to General Fund and Port capital projects.
- The City currently has letters of credits from three banks – J.P. Morgan Chase, U.S. Bank, and State Street Bank – guaranteeing up to $200,000,000 in commercial paper. Letters of credit of $100,000,000 with J.P. Morgan Chase and U.S. Bank expire in June 2016. Under the proposed resolution, the expiring letters of credit would be increased to $150,000,000 and would be provided by U.S. Bank and State Street Bank, selected through a competitive process, through March 2021. State Street Bank would continue to provide an existing letter of credit of $100,000,000 through February 2019.

Fiscal Impact

- Under the City's Commercial Paper Program, the City leases City property to a third party trustee as security for the commercial paper, and leases back this City property from the third-party trustee. The City has committed properties as security for the commercial paper with a value of $302,600,000.
- The City would incur one-time estimated General Fund costs of $600,000 for the new letters of credit of $150,000,000 provided by U.S. Bank and State Street Bank; and estimated ongoing General Fund costs of $822,000 per year to pay fees for the new letters of credit of $150,000,000 provided by U.S. Bank and State Street Bank.
- Commercial paper is paid back through the issuance of long term debt, such as certificates of participation.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

According to City Charter Section 9.113 (e), the Board of Supervisors has the authority to borrow money by the issuance of tax anticipation notes, temporary notes, commercial paper, or other short-term debt instruments.

BACKGROUND

Commercial Paper

Commercial paper is short-term interim financing for capital projects that permits the City to pay capital project costs on an ongoing basis. Commercial paper notes are issued and short-term debt is incurred only when needed to pay capital project costs as they are incurred, supported by a letter of credit used by a bank. Commercial paper has a fixed maturity date of up to 270 days (approximately nine months), compared with a fixed maturity date of 20 to 30 years for long-term debt, such as general obligation bonds. On the maturity date, commercial paper may be refinanced for additional periods of up to 270 days.

Commercial paper may be issued in anticipation of the issuance of previously authorized but not yet issued long-term debt. The use of commercial paper can reduce overall borrowing costs associated with the issuance of long-term debt because commercial paper interest rates are typically lower than long-term interest rates.

The City's Commercial Paper Program

The Board of Supervisors approved the creation of the City's Commercial Paper Program in 2009, which allowed the City to issue up to $150,000,000 in commercial paper. The Board of Supervisors approved an increase of $100,000,000 in the Commercial Paper Program in 2013, allowing the City to issue up to $250,000,000 in commercial paper. The City's Commercial Paper Program generally applies to the City's General Fund departments, with the exception of the Port. The City's enterprise departments have separate commercial paper programs, including the Public Utilities Commission, Airport, and San Francisco Municipal Transportation Agency.

Three banks – J.P. Morgan Chase, U.S. Bank, and State Street Bank and Trust Company (State Street Bank) – provide letters of credit to the City's Commercial Paper Program[1]. The letters of credit provided by J.P. Morgan Chase and U.S. Bank are scheduled to expire in June 2016. In order to replace and expand the letters of credit that are expiring, the Controller's Office of Public Finance has selected U.S. Bank and State Street Bank through a competitive process to provide two replacement letters of credit. A separate existing letter of credit provided by State Street Bank expires in 2019.

[1] Each of the banks provides a letter of credit that guarantees that the bank will repay the outstanding commercial paper in the event that the City in unable to make required payments to the commercial paper investors.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (1) re-authorizes the issuance by the City of both tax-exempt and taxable lease revenue commercial paper certificates of participation[2]; (2) replaces $100,000,000 in letters of credit currently held by J.P. Morgan Chase and U.S. Bank and expands the total letters of credit by $50,000,000 to $150,000,000; (3) authorizes financing documents, including the first supplement to the trust agreement, first amendment to the site lease, first amendment to the sublease, revolving credit agreements, fee agreement, dealer agreements, and other related financing documents; and (4) authorizes other related actions.

Letters of Credit

Although the City has the authority to issue up to $250,000,000 in commercial paper, the existing letters of credit supporting the City's Commercial Paper Program, allow the City to issue up to $200,000,000 in commercial paper, as follows:

- $50,000,000 provided by J.P. Morgan Chase, which is scheduled to expire in June 2016;
- $50,000,000 provided by U.S. Bank, which is scheduled to expire in June 2016; and
- $100,000,000 provided by State Street Bank, which is scheduled to expire in February 2019.

J.P. Morgan Chase will no longer provide the letter of credit to the City's Commercial Paper Program after June 10, 2016. Under the proposed resolution, letters of credit, which support the City's Commercial Paper Program and allow the City to issue up to $250,000,000 in commercial paper, would be provided as follows:

- $75,000,000 in a new letter of credit provided by U.S. Bank from approximately May 2016 through March 2021 (a term of approximately four years and 11 months);
- $75,000,000 in a new letter of credit provided by State Street Bank from approximately May 2016 through March 2021 (a term of approximately four years and 11 months); and
- $100,000,000 in the existing letter of credit provided by State Street Bank, which is scheduled to expire in February 2019.

The Controller's Office of Public Finance selected U.S. Bank and State Street Bank through a competitive request for proposal process to provide the new letters of credit up to $75,000,000 per bank, totaling $150,000,000 for the new letters of credit.

[2] The tax-exempt commercial paper is used for eligible tax-exempt capital projects and taxable lease revenue commercial paper certificates of participation are used for projects that do not qualify for federal and state tax exemptions.

Financing Documents

Revolving Credit Agreement

Under the proposed revolving credit agreements between the City and U.S. Bank and State Street Bank, the City can draw on up to $75,000,000 under the new letter of credit from each bank, totaling $150,000,000 for the new letters of credit. The City would draw on the letter of credit only in the event that the City could not make the required payments to the commercial paper investors. In the event that the City draws on the letter of credit, interest on the commercial paper purchased by the banks could increase up to 12 percent per year. The terms of the proposed revolving credit agreement are the same as the existing agreements between the City and U.S. Bank and State Street Bank.

According to Ms. Nadia Sesay, Director of Public Finance, the City expects to repay the banks, in the event that the City draws on the letters of credit, through refinancing commercial paper or issuing long-term debt. However, under extraordinary circumstances such as the 2008 financial crisis, the City may not be able to repay the banks immediately, in which case the City could potentially pay interest on the commercial paper up to 12 percent per year.

Fee Agreement

The City will pay a fee to each bank for the letter of credit equal to approximately 0.45 percent of the letter of credit of $75,000,000[3], or $337,500 per year for each bank, totaling $675,000 per year for the new letters of credit of $150,000,000 provided by U.S. Bank and State Street Bank.

Dealer Agreement

According to Ms. Sesay, the Office of Public Finance will enter into dealer agreements with one or more commercial dealers, selected through a competitive request for proposals process. The dealers would sell commercial paper on behalf of the City to investors. The proposed dealer agreement(s) between the City and the selected dealer(s) define the responsibilities of the dealers.

According to Ms. Sesay, the fees paid by the City to the selected dealer(s) will not exceed 0.125 percent per year of the weighted average of the principal amount of commercial paper notes outstanding each quarter. For example, for the $150,000,000 new letters of credit provided by U.S. Bank and State Street Bank, the City would pay the dealer a fee of $187,500 for the year, based on $150,000,000 in outstanding commercial paper debt.

Lease and Sublease Agreements and Trust Agreement

Under the City's Commercial Paper Program, the City leases City property to a third party trustee as security for the commercial paper, and leases back this City property from the third-party trustee. The City has committed the properties shown in Table 1 below to secure the letters of credit from U.S. Bank and State Street Bank for the commercial paper. These

[3] The fee is based on the City's credit rating by each of the three credit rating agencies – Fitch, Moody's, and S&P. The fee percentage of 0.45 percent assumes a high rating of AA- or above (Fitch and S&P) and Aa3 or above (Moody's). The fee percentage increases by 0.10 percentage points for each reduction in the City's credit rating.

properties have a value equal to 121 percent of the not-to-exceed Commercial Paper Program amount of $250,000,000, or $302,600,000, as shown in Table 1 below.

Table 1: City Properties Proposed to Secure Letters of Credit for Commercial Paper Program

$150,000,000 Provided by U.S. Bank and State Street Bank *Series 1 and Series 2 Commercial Paper*		
Property	**Address**	**Valuation**
Public Works Corporate Yard	2323 Cesar Chavez Street	$46,000,000
Police Academy	350 Amber Drive	29,000,000
Fire Department Division of Training	2310 Folsom Street	7,500,000
Alemany Produce Market	100 Alemany Blvd	30,000,000
Fire Station 1	935 Folsom Street	6,000,000
Public Health Clinic	2789 25th Street	15,700,000
Human Services Agency	150 Otis Street	34,000,000
Subtotal		$168,200,000
$100,000,000 Provided by State Street Bank *Series 3 and Series 4 Commercial Paper*		
Public Safety Building	1245 3rd Street	$119,000,000
Fire Station 10	655 Presidio Avenue	10,000,000
Police Taraval Station	2345 24th Avenue	5,400,000
Subtotal		$134,400,000
Total		**$302,600,000**

Source: Office of Public Finance, Real Estate Division

Under the proposed first amendment to the trust agreement, U.S. Bank serves as the third party trustee, responsible for (1) authenticating and delivering the commercial paper; (2) leasing properties from the City; and (3) subleasing these properties back to the City.

Under the proposed first amendment to the site lease, U.S. Bank would enter into a site lease with the City for the properties listed as Series 1 and Series 2 Commercial Paper in Table 1 above.

Under the proposed first amendment to the sublease, the City would lease back these properties from U.S. Bank.

City Capital Projects Accessing the City's Commercial Paper Program

City capital projects that have been approved by the Board of Supervisors will be eligible to access the Commercial Paper Program. The following three capital projects currently have approval to obtain short-term interim financing through the Commercial Paper Program:

- HOPE SF Project: The Board of Supervisors authorized $38,000,000 in certificates of participation (COPs) in 2010 to partially finance the rebuilding of public housing under the jurisdiction of the San Francisco Housing Authority.
- Moscone Center Expansion Project: The Board of Supervisors authorized $507,880,000 in COPs in 2013 to finance the costs of additions and improvements to the Moscone Center.
- San Francisco General Hospital and Trauma Center Project: The Board of Supervisors authorized $41,000,000 in COPs in 2014 to finance the purchase of furniture, fixtures and equipment for the new San Francisco Hospital and Trauma Center.

FISCAL IMPACT

The proposed resolution replaces $100,000,000 in letters of credit currently held by J.P. Morgan Chase and U.S. Bank, and expands the total letters of credit by $50,000,000 to $150,000,000 to be held by U.S. Bank and State Street Bank.

The City would incur one-time estimated General Fund costs of $600,000 for the new letters of credit of $150,000,000 provided by U.S. Bank and State Street Bank; these costs are for bond counsel, rating agencies, financial advisors, and other related costs.

The City would incur estimated ongoing General Fund costs of $822,000 per year to pay fees for the new letters of credit of $150,000,000 provided by U.S. Bank and State Street Bank, as shown in Table 2 below.

Table 2: Estimated Ongoing Costs for $150,000,000 in New Letters of Credit Provided by U.S. Bank and State Street Bank

Letter of Credit Fee (0.45%)	$675,000
Dealer(s) Fee (0.05%)	75,000
Credit Surveillance Fee [a]	27,000
Issuing and Paying Agent Fee [b]	45,000
Total	$822,000

Source: Controller's Office of Public Finance

[a] The credit surveillance fee is the fee charged for two credit agencies to monitor the City's credit rating, as required by most investors purchasing commercial paper.

[b] The issuing and paying agent fee is for the coordination and issuance of the commercial paper by U.S. Bank, which is the paying agent.

The Commercial Paper Program currently has $130,405,000 in outstanding commercial paper, as shown in Table 3 below.

Table 3: Current Outstanding Commercial Paper

Issuance Date	Maturity Date	Project	Tax Status	Principal	Interest Rate
3/7/2016	5/9/2016	Moscone Expansion; SFGH Equipment	Tax-Exempt	$71,777,000	0.12%
3/11/2016	5/12/2016	HOPE SF	Taxable	11,088,000	0.55%
5/2/2016	8/1/2016	Moscone Expansion; SFGH Equipment	Tax-Exempt	14,340,000	0.47%
5/3/2016	5/26/2016	Moscone Expansion	Tax-Exempt	33,200,000	0.40%
Total				$130,405,000	

Source: Controller's Office of Public Finance

According to Ms. Sesay, the weighted average interest rate on outstanding tax-exempt commercial paper is 0.24 percent, which is 3.30 percentage points less than the interest rate of 3.54 percent on the City's most recent tax-exempt certificates of participation.

The weighted average interest rate on outstanding taxable commercial paper is 0.55 percent, which is 3.99 percentage points less than the interest rate of 4.54 percent on taxable certificates of participation[4].

Commercial paper is paid through the issuance of long term debt, such as certificates of participation.

RECOMMENDATION

Approve the proposed resolution.

[4] The interest rate of 4.54 percent on taxable certificates of participation represents the standard market interest rate differential between tax-exempt and taxable certificates of participation.

Item 5 **File 16-0481**	**Department:** Mayor's Office of Housing and Community Development (MOHCD)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve an agreement between South Beach Marina, Inc., and MOHCD to retain the affordability of 101 housing units, or approximately 24 percent of the 414 housing units in the South Beach Marina Apartments.

Key Points

- The South Beach Marina Apartments were partially funded by tax-exempt Multi-Family Mortgage Revenue Bonds with the requirement that at least 20 percent of the housing units were affordable to households with income at 80 percent and 120 percent of Area Median Income. The affordability requirements expired in January 2015.
- Under the proposed agreement, South Beach Marina, Inc. would retain the affordability of 101 housing units for the life of the South Beach Marina Apartments in exchange for a credit toward future inclusionary housing fee obligations, up to $60,000,000, for any future residential development in San Francisco within the next five years. Current affordable units for existing tenants would be retained at 80 percent or 120 percent of the Area Median Income. However, when current affordable units become vacant, the units would be made available to new qualified tenants at 120 percent of the Area Median Income.

Fiscal Impact

- A valuation analysis valued the 101 affordable housing units at South Beach Marina Apartments at $59,300,000. The proposed resolution should be amended to state that the credits toward future inclusionary fee obligations are not-to-exceed $59,300,000.

Policy Consideration

- The proposed agreement between MOHCD and South Beach Marina, Inc. is the first such agreement to offer credits toward future inclusionary housing fee obligations in order to retain affordable housing. Affordability requirements will expire for at least three other housing projects in 2016 and 2017 but MOHCD has not yet determined if similar agreements would be appropriate for these three projects.
- The proposed agreement retains 101 housing units at South Beach Marina Apartments that are affordable to households with incomes at 80 percent and 120 percent of the Area Median Income. MOHCD is proposing to retain housing that is affordable to moderate income households with income at 80 percent and 120 percent of the Area Median Income because the City does not have sufficient moderate income housing

Recommendations

- Amend the proposed resolution to reduce the proposed credit toward future inclusionary housing fee obligations by $700,000 from $60,000,000 to $59,300,000.
- Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 9.118(b) requires Board of Supervisors approval for contracts entered into by a City department that have a term of more than 10 years or expenditures of $10 million or more.

BACKGROUND

The former San Francisco Redevelopment Agency (Redevelopment Agency) entered into an owner participation agreement with SBMA, Ltd., a limited partnership, in 1986 for a mixed commercial and residential project – the South Beach Marina Apartments - in the Rincon Point-South Beach Redevelopment Project Area. The South Beach Marina Apartments are located on Townsend Street between First Street and Colin P. Kelly Street, and consist of 414 residential rental units, commercial space, and parking.

Construction of the South Beach Marina Apartments was partially funded by $46.6 million in tax-exempt Multi-Family Mortgage Revenue Bonds issued by the Redevelopment Agency. As a condition of the Multi-Family Mortgage Revenue Bond funding, SBMA was required to make at least 20 percent of the residential units (or 83 of 414 units) affordable to low and moderate income households for 21.5 years. SBMA, Ltd. also obtained a mortgage loan, which was co-insured by the U.S. Department of Housing and Urban Development (HUD).

SBMA, Ltd. did not make the regularly-scheduled payments on the mortgage loan, which triggered redemption of the original Multi-Family Mortgage Revenue Bonds. The Multi-Family Mortgage Revenue Bonds were redeemed in 1991 through 1994 by the issuance by the Redevelopment Agency of $46.4 million in Multi-Family Housing Refunding Revenue Bonds. HUD agreed to carry the unpaid interest on the original mortgage loan and issue a second mortgage loan to the South Beach Marina Apartments.

As a condition of the financing, the South Beach Marina Apartments were required to maintain at least 20 percent of the residential units to be affordable to low and moderate income households until January 1, 2015. The current property owner, South Beach Marina, Inc. [1], is not required to retain the housing units as affordable units, although South Beach Marina, Inc. would be required to issue a 12-month notice prior to converting the affordable units to market rate.

According to the Mayor's Office of Housing and Community Development (MOHCD), which became the housing agency for former Redevelopment Agency housing assets, approximately 24 percent, or 101 of 414 South Beach Marina Apartments, are affordable to households with incomes from 80 percent to 120 percent of the Area Median Income. 86 residential units are

[1] South Beach Marina, Inc., the current owner of the South Beach Marina Apartments, is a wholly owned subsidiary of the State of Florida Public Employees' Pension Fund.

affordable to households at 80 percent of the Area Median Income; and 15 residential units are affordable to households at 120 percent of the Area Median Income.[2]

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve an agreement between South Beach Marina, Inc., and MOHCD to retain the affordability of approximately 24 percent or 101 of the 414 housing units in the South Beach Marina Apartments. The 101 units would be affordable to households with income at 80 percent and 120 percent of the Area Median Income.

Under the proposed agreement, South Beach Marina, Inc. would retain the affordability of 101 housing units for the life of the South Beach Marina Apartments in exchange for a credit toward future inclusionary housing fee obligations, up to $60,000,000, for any future residential development in San Francisco. South Beach Marina, Inc. could transfer the credits to an affiliate agency or sell the credits to a third party. Current affordable units for existing tenants would be retained at 80 percent or 120 percent of the Area Median Income, based on their current tenant agreement. However, when current affordable units become vacant, the units would be made available to new qualified tenants at 120 percent of the Area Median Income.

Inclusionary Housing Fee

San Francisco Planning Code Section 415 requires that new residential developments with 10 or more units: (1) pay an inclusionary housing fee, which is calculated by unit type and bedroom count, (2) provide 12 percent on-site affordable units, or (3) provide 20 percent of their units off-site as affordable to low- to moderate-income households. Under the proposed agreement, South Beach Marina, Inc. would be credited toward future inclusionary housing fee obligations for future residential developments, based on the 2016 inclusionary housing fee rates shown below:[3]

Unit Size	Fee By Unit Size
Studio	$198,008
1 bedroom	$268,960
2 bedroom	$366,639
3 bedroom	$417,799
4 bedroom	$521,431

The credit toward future inclusionary housing fee obligations can be applied by South Beach Marina, Inc. for a period of up to five years from the date of execution of the agreement, or approximately to June 2021.

The credits toward future inclusionary housing fee obligations are based on the assumption that the future residential development would require inclusion of 33 percent affordable

[2] 80 percent of the Area Median Income in 2016 for a family of four is $86,150; and 120 percent of the Area Median Income in 2016 for a family of four is $129,250.

[3] The 2016 inclusionary housing fee rates would not apply to a third party who purchases the credits.

housing units. The credits toward future inclusionary housing fee obligations would apply until the credits are fully used or the agreement terminates.

According to Mr. Donald Lusty, MOHCD Senior Project Manager, South Beach Marina, Inc. is currently considering developing new residential projects in the South of Market neighborhood, with an investment of $250 million to $500 million. South Beach Marina, Inc.'s goal is to have received planning, environmental and other required approvals for the proposed new residential projects during the five-year term of the agreement.

South Beach Marina, Inc. would be required to retain the 101 affordable housing units for at least five years. If South Beach Marina, Inc. is unable to obtain planning and other approvals for future new residential development in San Francisco within five years, or is unable to sell the credits to a third party, then South Beach Marina, Inc. can terminate the agreement. Under the proposed agreement, the City has the option to purchase the inclusionary housing fee credits in order to retain the affordability of the 101 housing units in the South Beach Marina Apartments.

FISCAL IMPACT

According to the Housing Element of the City's General Plan, "the acquisition of affordable housing units at-risk of converting to market rate due to expiring HUD mortgages or other subsidies has been an important part of the City's efforts to increase the stock of affordable housing".

A valuation analysis, conducted by John C. Clifford, MAI[4], for MOHCD in April 2016, valued the 101 affordable housing units at South Beach Marina Apartments at $59,300,000. According to Mr. Lusty, this is the price that the City would pay to acquire the permanent affordability for the existing 101 affordable housing units. Because the 101 affordable housing units at South Beach Marina Apartments are valued at $59,300,000, the proposed resolution should be amended to state that the credits toward future inclusionary fee obligations are not-to-exceed $59,300,000 rather than $60,000,000 as stated in the proposed resolution.

POLICY CONSIDERATION

Other Affordable Housing Unit Requirements Expiring in 2016 and 2017

The proposed agreement between MOHCD and South Beach Marina, Inc. is the first such agreement to offer credits toward future inclusionary housing fee obligations in order to retain affordable housing when the requirement for the property owner to maintain affordable housing units expires. Affordability requirements will expire for at least three other housing projects in 2016 and 2017, as shown below. According to Mr. Lusty, no other housing projects have affordable units that will expire prior to 2037.

[4] "MAI" refers to a member of the Appraisal Institute, which is a professional association of real estate appraisers.

Project Name	737 Post	Bayside Village	Fillmore Center
Ownership Entity	Sequoia Equities, Inc.	Forest City Enterprises	Prudential REIT
Affordability Expiration	March 27, 2016	December 1, 2016	December 1, 2017
Affordable Units (#, %)	50 (20%)	174 (20%)	223 (20%)
Market-Rate Units	198	694	891
Total Project Units	248	868	1114

Source: MOHCD

According to Mr. Lusty, it is not clear that the agreement proposed for South Beach Marina Apartments is appropriate for the other Redevelopment Agency-funded projects shown above, but MOHCD staff is negotiating with the owners of both 737 Post Street and Bayside Village Apartments with the goal of avoiding displacement of existing residents. MOHCD staff will seek to begin similar negotiations with the owners of the Fillmore Center in the near future, if those tenants similarly face displacement.

Inclusionary Housing Fees

The inclusionary housing fee required by Planning Code Section 415, as noted above, is deposited into the Citywide Affordable Housing Fund, and is a source of funds for loans and grants to affordable housing projects. According to the Citywide Affordable Housing Loan Committee underwriting guidelines, loans are granted to housing projects that are affordable to households with income up to 60 percent of the Area Median Income.[5] Many of the affordable housing projects that obtain loans from the Citywide Affordable Housing Loan Committee are also funded by federal Low Income Housing Tax Credits, which restrict affordability to 60 percent of the Area Median Income.

The proposed agreement retains 101 housing units at South Beach Marina Apartments that are affordable to households with income at 80 percent and 120 percent of the Area Median Income. Therefore, the proposed credit toward the inclusionary housing fee of $60,000,000 would be allocated to affordable housing units that serve households at a higher income than if the inclusionary housing fee were collected from future residential developments and deposited into the Citywide Affordable Housing Fund.

According to Mr. Lusty, MOHCD is proposing to retain housing that is affordable to moderate income households with income at 80 percent and 120 percent of the Area Median Income because the City does not have sufficient moderate income housing. According to the 2007-2014 Regional Housing Needs Assessment, produced by the Association of Bay Area Governments (ABAG), the City met 65.6 percent of its total housing goals between 2007 and 2014 but only 19 percent of housing goals for moderate income households with income at 80 percent and 120 percent of the Area Median Income.

[5] 60 percent of Area Median Income for a family of four in 2016 is $64,600.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the proposed credit toward future inclusionary housing fee obligations by $700,000 from $60,000,000 to $59,300,000.
2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

Item 6 **File 16-0315**	**Department:** Controller's Office (Controller)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the ninth amendment to the agreement between Cogsdale and the Controller's Office to continue to provide software maintenance services for FAMIS. The amendment extends the contract for up to an additional two years and six months, from July 1, 2016 through December 31, 2018, and one option for one six-month extension through June 30, 2019, for a total contract term of thirteen years, and increases the not-to-exceed amount from $1,306,406 up to $1,759,068, an increase of $452,662. Because the contract term would exceed ten years, the proposed ninth amendment is subject to Board of Supervisors approval.

Key Points

- The Financial Accounting and Management Information System (FAMIS) is a software program that forms the core component of the City of San Francisco's financial systems. In 2006, the City entered into a contract with Cogsdale to provide software maintenance services for FAMIS. The contract amount was for not-to-exceed $72,502 and the term was from July 1, 2006 to December 31, 2006, with an option to renew the contract at the same price for an additional six months through June 30, 2007. The contract has been amended eight times to extend the term of the contract through June 20, 2016 and increase the contract not-to-exceed amount to $1,306,406.
- The Controller's Office chose to extend the contract for an additional three years in order to reduce administrative overhead, compared to amending the contract annually, as had been previous practice. Ms. Kimotsuki further states that though FAMIS is required until the transition to the new financial system is completed, the Controller's Office may cancel the contract with Cogsdale at any time prior to the contract expiration date in 2019.

Fiscal Impact

- The contract is estimated to cost $452,662 for the three year extension term.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a City department that has a term of more than ten years, or expenditures of $10 million or more, or an amendment to such contract of more than $500,000, is subject to Board of Supervisors approval.

City Administrative Code Section 21.30 authorizes City departments to enter into perpetual, nonexclusive software licensing agreements of less than $10 million without Board of Supervisors approval. According to Administrative Code Section 21.30(d), where a vendor has proprietary rights to software or where maintenance of equipment by a particular vendor is required to preserve a warranty, any software support and equipment maintenance agreements entered into with that vendor can be awarded on a sole source basis subject to approval by the Purchaser.

BACKGROUND

The Financial Accounting and Management Information System (FAMIS) is a software program that forms the core component of the City of San Francisco's financial systems. FAMIS maintains all of the City's budgetary and accounting information and enables the daily functions of accounting and purchasing. FAMIS was initially implemented in 1995 when the City licensed FAMIS from its owner, KPMG, LLC. Since that time, ownership was transferred to Cogsdale Corporation (Cogsdale).

In 2006, the City entered into a contract with Cogsdale to provide software maintenance services for FAMIS. The contract amount was for not-to-exceed $72,502 and the term was from July 1, 2006 to December 31, 2006, with an option to renew the contract at the same price for an additional six months through June 30, 2007. The contract has been amended eight times to extend the term of the contract through June 20, 2016 and increase the contract not-to-exceed amount to $1,306,406. These amendments did not require approval by the Board of Supervisors because the term was not more than ten years and did not have expenditures of more than $10,000,000. Table 1 below summarizes the amendments to the contract with Cogsdale.

Table 1: Summary of Contract Amendments to Cogsdale Contract

Contract Amendment	Term	Not-To-Exceed Amount	Increase
Original Agreement (6 months)	7/1/2006 – 12/31/2006	$72,502	n/a
1st Amendment (6 months)	1/1/2007 – 6/30/2007	$145,004	$72,502
2nd Amendment	7/1/2007 – 6/30/2008	$267,609	$122,605
3rd Amendment	7/1/2008 – 6/30/2009	$396,344	$128,735
4th Amendment	7/1/2009 – 6/30/2011	$640,940	$244,596
5th Amendment	7/1/2011 – 6/30/2012	$763,238	$122,298
6th Amendment	7/1/2012 – 6/30/2014	$1,026,179	$262,941
7th Amendment	7/1/2014 – 6/30/2015	$1,164,222	$138,043
8th Amendment	7/1/2015 – 6/30/2016	$1,306,406	$142,184

The City plans to replace FAMIS with a new financial system by July 2017. However, according to Ms. Joyce Kimotsuki, Contracts Manager in the Controller's Office, the City will need to maintain FAMIS for up to three years during the transition to the new financial system.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the ninth amendment to the agreement between Cogsdale and the Controller's Office to continue to provide software maintenance services for FAMIS. The amendment extends the contract for up to an additional two years and six months, from July 1, 2016 through December 31, 2018, and one option for one six-month extension through June 30, 2019, for a total contract term of thirteen years, and increases the not-to-exceed amount from $1,306,406 to $1,759,068, an increase of $452,662. Because the contract term would exceed ten years, the proposed ninth amendment is subject to Board of Supervisors approval.

Ms. Kimotsuki states the Controller's Office chose to extend the contract for up to an additional three years in order to reduce administrative overhead, compared to amending the contract annually, as had been previous practice. Ms. Kimotsuki further states that although FAMIS is required until the transition to the new financial system is completed; the Controller's Office may cancel the contract with Cogsdale at any time prior to the contract expiration date in 2019.

FISCAL IMPACT

According to data provided by the Controller's Office, $1,306,406 has been spent to date on the contract with Cogsdale. The requested increase to the contract not-to-exceed amount of $452,662 is shown in Table 2 below, and would allow for an annual increase to the contract of approximately three percent.

Table 1: Requested Increase to Cogsdale Contract

FAMIS Module	Fiscal Year 2016-17	Fiscal Year 2017-18	7/1/2018 – 12/31/2018	Option Term 1/1/2019 – 6/30/2019	Total
Accounting	$65,903	$67,880	$34,958	$34,958	$203,699
Asset Management	11,716	12,067	6,215	6,215	36,213
Purchasing	46,864	48,270	24,859	24,859	144,852
System-wide Querying Tool	8,787	9,051	4,661	4,661	27,160
Client Graphic User Interface	13,180	13,576	6,991	6,991	40,738
Total	**$146,450**	**$150,844**	**$77,684**	**$77,684**	**$452,662**

RECOMMENDATION

Approve the proposed resolution.

Items 7 and 8 Files 16-0295 and 16-0296	Department: San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolutions approve two new five-year leases with one two-year option, between the Airport, as landlord, and the Bank of America, as tenant, to locate seven ATMs at six locations in Terminal 1, Terminal 3, and the long term parking garage (File 16-0295) and five ATMs in the International Terminal (File 16-0296).

Key Points

- The Airport currently has leases with Wells Fargo Bank, JP Morgan Chase Bank, and Bank of America to locate automatic teller machines (ATMs) in the Airport. The proposed new lease between the Airport and Bank of America for ATM locations in Terminal 1, Terminal 3, and the long-term parking garage is in addition to the existing leases between the Airport and Wells Fargo Bank and JP Morgan Chase Bank for ATMs in Terminal 1 and Terminal 3 (File 16-0295). The proposed new lease between the Airport and Bank of America for five ATM locations in the International Terminal replaces the existing lease between the Airport and Bank of America for ATMs in the International Terminal (File 16-0296).

Fiscal Impact

- Under the proposed lease for six ATM locations in Terminal 1, Terminal 3, and the long term parking garage, Bank of America would be required to pay the Airport the higher of the Minimum Annual Guarantee of $365,000, subject to adjustment based on Consumer Price Index, or 70% of gross revenues.
- Under the proposed lease for five ATM locations in the International Terminal, Bank of America would be required to pay the Airport the higher of the Minimum Annual Guarantee of $270,000, subject to adjustment based on Consumer Price Index, or 70% of gross revenues.
- Excluding CPI adjustments, the estimated MAG rent to be paid by Bank of America to the Airport over the initial five-year lease term is $3,175,000.

Recommendation

- Approved the proposed resolutions.

MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease of real property for a period of 10 or more years, including options to extend, or that had anticipated revenues of $1 million or more is subject to Board of Supervisors approval.

BACKGROUND

The Airport currently has leases with Wells Fargo Bank, JP Morgan Chase Bank, and Bank of America to locate automatic teller machines (ATMs) in the Airport.

The existing lease between Wells Fargo Bank and the Airport was approved by the Board of Supervisors in April 2010 (File 10-0419) for five years and three months from July 2010 to October 2015 with one option to extend the lease by two years through October 2017. Wells Fargo located 11 ATMs at the Airport, which included three in Terminal 1 and four in Terminal 3.

The existing lease between JP Morgan Chase Bank and the Airport was approved by the Board of Supervisors in April 2010 (File 10-0420) for five years and four months from July 2010 to November 2015 with one option to extend the lease by two years November June 2017. JP Morgan Chase Bank located 11 ATMs at the Airport, which included three ATM locations in Terminal 1 and four ATM locations in Terminal 3.

The lease between Bank of America and the Airport was approved by the Airport Commission in 2008 for five years from June 2008 to June 2013 with two one-year options to extend the term to June 2015. Bank of America located five ATMs in the International Terminal. The lease has been in holdover status since June 2015. The lease was not subject to Board of Supervisors approval because the lease was for less than 10 years and $1 million in revenues.

The Airport issued a Request for Bids (RFB) to select ATM tenants in Terminals 1 and 3, the long term parking garage and the International Terminal in October 2015. Bank of America was the only qualified bidder to respond to the RFB. The Airport Commission approved the award of the following two lease agreements to Bank of America in March 2016.

<u>File 16-0295:</u> The proposed new lease between the Airport and Bank of America for ATM locations in Terminal 1, and Terminal 3 is in addition to the existing leases between the Airport and Wells Fargo Bank and JP Morgan Chase Bank for ATM locations in Terminal 1 and Terminal 3.

<u>File 16-0296:</u> The proposed new lease between the Airport and Bank of America (File 16-0296) for ATM locations in the International Terminal replaces the existing lease between the Airport and Bank of America for ATM locations in the International Terminal.

DETAILS OF PROPOSED LEGISLATION

The proposed resolutions approve two new five-year leases with one two-year option, between the Airport, as landlord, and the Bank of America, as tenant, for six ATM locations in Terminal 1, Terminal 3, and the long term parking garage (File 16-0295) and five ATM locations in the

International Terminal (File 16-0296). The provisions of the two lease agreements are shown in Table 1 below.

Table 1: Key Provisions of the Bank of America ATM Lease

Lease Provision	**Terminal 1, Terminal 3, and Long Term Parking Garage (File 16-0295)**	**International Terminal (File 16-0296)**
Permitted Use	Installation, operation and maintenance of 7 ATMs in 6 locations	Installation, operation and maintenance of 5 ATMS and a Night Depository
Premises	2 ATM locations in Terminal 1 3 ATM locations in Terminal 3 1 ATM locations in the long term parking garage	1 ATM in Boarding Area A, post-security 1 ATM in Boarding Area G, post-security 3 ATMs in International Terminal Building pre-security One Night Depository in arrivals area
Term	5 years from the date that the last ATM location is available through approximately July, 2021	5 years from the date that the last ATM location is available through approximately July, 2021
Options to Extend	One two-year option through approximately July, 2023	One two-year option through approximately July, 2023
Rent payable by Bank of American to Airport	Greater of the Minimum Annual Guarantee (MAG) of $365,000 or 70 percent of gross revenues[1]	Greater of the Minimum Annual Guarantee (MAG) of $270,000 or 70 percent of gross revenues
Annual rent adjustments	Based on Consumer Price Index	Based on Consumer Price Index

FISCAL IMPACT

Excluding CPI adjustments, the estimated MAG rent to be paid by Bank of America to the Airport over the initial five-year lease term is $3,175,000, as shown in Table 2 below.

Table 2: Estimated MAG Rent to be Paid by Bank of America to the Airport

Lease Year	**Terminals 1 and 3, Long Term Parking (File 16-0295)**	**International Terminal (File 16-0296)**	**Total**
One	$365,000	$270,000	$635,000
Two	365,000	270,000	635,000
Three	365,000	270,000	635,000
Four	365,000	270,000	635,000
Five	365,000	270,000	635,000
Total	$1,825,000	$1,350,000	$3,175,000

As noted above, the Airport has an existing lease with Bank of America for five ATM locations in the International Terminal. Bank of America paid percentage rent of $131,884 to the Airport in 2015, which was equal to 70 percent of gross revenues. Under the proposed new lease between the Airport and Bank of America for five ATM locations in the International Terminal, Bank of America will pay a MAG of $270,000, which is $138,116 or 104.7 percent more than 2015 rent of $131,884.

[1] Gross revenues are defined as all transaction surcharges, revenues derived from sale of gift cards, retail price of merchandise, and other revenues.

RECOMMENDATION

Approve the proposed resolutions.

Item 9 **File 16-0311**	**Department:** San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would retroactively approve a new facility lease between China Airlines and the Airport for China Airlines to continue to occupy 38,082 square feet of space in Cargo Building 648. The lease is for a three-year term from April 9, 2016 through April 8, 2019, with one three-year option to extend through April 8, 2022, with an estimated rent of $5,851,076 for the six-year period.

Key Points

- China Airlines Limited (China Airlines) is a signatory airline under the 2011 Lease and Use Agreement which allows China Airlines to operate at the San Francisco International Airport (Airport). China Airlines signed a lease with the Airport in April 2011 for 38,082 square feet in Cargo Building 648 for its cargo operations. The lease was for five years from April 9, 2011 to April 8, 2016. According to Mr. Dan Ravina, Airport Senior Property Manager, the China Airlines lease is in holdover status on a month-to-month basis, as of April 10, 2016, until a new lease is approved by the Board of Supervisors. China Airlines pays the Airport rent of $23.60 per square foot, based on the Airport's FY 2015-16 Rates and Charges for Cargo Facilities. Total rent to be paid by China Airlines to the Airport in FY 2015-16 is $898,735.

Fiscal Impact

- The Airport's FY 2016-17 rental rate for cargo facilities is $24.19 per square foot, an increase of approximately 2.5 percent from the FY 2015-16 rental rate of $23.60 per square foot. Estimated rent to be paid by China Airlines to the Airport over the six year term of the lease including the initial three-year term and one three-year option is $5,851,076, based on estimated increases to the rental rate of 2.5 percent per year.
- The proposed resolution states that estimated rent over the six-year term of the lease is $5,740,680.68. The proposed resolution should be amended to state that the estimated rent is $5,851,076.

Recommendations

- Amend the proposed resolution to state that the correct estimated rent is $5,851,076.
- Approve the proposed resolution, as amended.

MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease of real property for a term of ten years or more, including options to extend, or that has anticipated revenues of $1 million or more is subject to Board of Supervisors approval.

BACKGROUND

China Airlines Limited (China Airlines) is a signatory airline under the 2011 Lease and Use Agreement which allows China Airlines to operate at the San Francisco International Airport (Airport). China Airlines signed a lease with the Airport in April 2011 for 38,082 square feet in Cargo Building 648 for its cargo operations. The lease was for five years from April 9, 2011 to April 8, 2016. According to Mr. Dan Ravina, Airport Senior Property Manager, the China Airlines lease is in holdover status on a month-to-month basis, as of April 10, 2016, until a new lease is approved by the Board of Supervisors.[1] China Airlines pays the Airport rent of $23.60 per square foot, based on the Airport's FY 2015-16 Rates and Charges for Cargo Facilities.[2] Total rent to be paid by China Airlines to the Airport in FY 2015-16 is $898,735.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve a new facility lease between China Airlines and the Airport for China Airlines to continue to occupy 38,082 square feet of space in Cargo Building 648. The lease is for a three-year term from April 9, 2016 through April 8, 2019, with one three-year option to extend through April 8, 2022, with an estimated rent of $5,851,076 for the six-year period. Table 1 below shows the key provisions of the proposed new lease for China Airlines.

Table 1: Key Provisions of the Proposed Facility Lease for China Airlines

Permitted use	Conduct tenant's integrated air cargo related business including receiving, delivery, dispatching, processing, handling, and storage of air cargo and mail.
Premises	33,246 square feet of warehouse space 4,836 square feet of first floor office space 38,082 total
Term	3 years from April 9, 2016 – April 8, 2019
Extension options	One 3-year option
FY 2016-17 rent payable by China Airlines to the Airport	$921,204 ($24.19 per square foot)
Annual rent adjustments	To be determined each year by the Airport's Rates and Charges for Cargo Facilities.
Services & Utilities	Utilities and janitorial services to be paid by China Airlines.

[1] Under the lease, the Airport may allow the tenant to remain in the premises on a holdover status for a month-to-month basis under the existing terms of the lease. Holdover status shall not be deemed a renewal of the term.

[2] The Airport's Rates and Charges for Cargo Facilities are established by the Airport's Finance Division for all of its cargo facilities at the beginning of each fiscal year.

FISCAL IMPACT

According to Mr. Ravina, China Airlines will pay the FY 2015-16 rental rate of $23.60 per square foot through June 30, 2016, for total FY 2015-16 rent of $898,735, as noted above. The Airport's FY 2016-17 rental rate for cargo facilities is $24.19 per square foot, an increase of approximately 2.5 percent from the FY 2015-16 rental rate of $23.60 per square foot. Estimated rent to be paid by China Airlines to the Airport over the six year term of the lease including the initial three-year term and one three-year option is $5,851,076, as shown in Table 2 below, based on estimated increases to the rental rate of 2.5 percent per year.

Table 2: Estimated Rent to be Paid by China Airlines to Airport

Year	Rental Rate per Square Foot	Square Footage	Total
FY 2015-16 (2.75 months)	$23.60	38,082	$205,960
FY 2016-17	$24.19	38,082	921,204
FY 2017-18	$24.79	38,082	944,053
FY 2018-19	$25.41	38,082	967,664
FY 2019-20	$26.05	38,082	992,036
FY 2020-21	$26.70	38,082	1,016,789
FY 2021-22 (9.25 months)	$27.37	38,082	803,370
Total			**$5,851,076**

The proposed resolution states that estimated rent over the six-year term of the lease is $5,740,680.68. The proposed resolution should be amended to state that the estimated rent is $5,851,076.

RECOMMENDATIONS

1. Amend the proposed resolution to state that the correct estimated rent is $5,851,076.
2. Approve the proposed resolution, as amended.

Item 10 **File 16-0358**	**Departments:** Fire Sheriff Emergency Management Public Health Public Utilities Commission Police

EXECUTIVE SUMMARY

Legislative Objectives

The proposed ordinance would (1) appropriate $4,112,120 in surplus revenues and de-appropriate $20,570,704 in surplus expenditures, totaling $24,682,824, and (2) appropriate $24,682,824 to pay for increased overtime in the Fire Department, Sheriff's Department, Department of Emergency Management, Department of Public Health, Public Utilities Commission, and Police Department FY 2015-16 budgets.

Fiscal Impact

- The Fire Department had (a) $4,112,120 in increased revenues for overtime service fees, plan checking fees, and ambulance charges; and (b) increased overtime expenditures of $4,112,120 due to an increase in Emergency Medical Service calls, Fire Prevention Bureau Services, and delays in hiring new firefighter staff. Approval of the requested appropriation of overtime requires a two-third vote of the Board of Supervisors because the Board approved a reduction in overtime in the Fire Department's FY 2015-16 budget.
- The Sheriff's Department had (a) $8,401,500 in surplus salaries and related costs to vacant civilian and uniform positions; and (b) increased overtime expenditures of $8,401,500 primarily due to backfilling vacant positions to meet minimum staffing requirements.
- The Department of Emergency Management had (a) $1,361,261 in surplus salaries due to the resignations of 18 permanent staff and 7 trainees, and (b) increased overtime expenditures of $1,361,261 due to an increase in emergency and non-emergency calls in the 911 Call Center.
- The Department of Public Health had (a) $2,306,949 in surplus salaries at San Francisco General Hospital due primarily to delays in hiring budgeted positions because the new hospital opened six months later than originally scheduled; and (b) increased overtime expenditures of $2,306,949 due primarily to the opening of the new hospital.
- The Public Utilities Commission had (a) $575,994 in surplus salaries, premium pay, building maintenance, and professional services; and (b) increased overtime expenditures of $575,994 due primarily to emergency work in the Water Enterprise and Hetch Hetchy Enterprise, and increased work in the Wastewater Enterprise.
- The Police Department had (a) $7,925,000 of surplus salaries due primarily to vacant positions; and (b) increased overtime expenditures of $7,925,000 primarily due to court duty and police services for Super Bowl 50 and other events.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT

Mandate Statement

Charter Section 9.105 provides that amendments to the Annual Appropriation Ordinance be subject to Board of Supervisors approval by ordinance, after the Controller certifies the availability of funds.

Administrative Code Section 3.17, which was approved by the Board of Supervisors in September of 2011, requires that the Annual Appropriation Ordinance contain a separate overtime appropriation within the Airport, Emergency Management, Police, Public Health, Public Utilities, Public Works, Recreation and Park, and Sheriff Departments' operating budgets. In accordance with Administrative Code Section 3.17(b), these eight identified City departments must also request a supplemental appropriation ordinance, which is subject to Board of Supervisors approval, if their overtime expenditures are proposed to be greater than the amount of overtime previously appropriated by the Board of Supervisors in the department's budget.

Charter Section 9.113(c) states that, in the event the Mayor or a member of the Board of Supervisors recommends a supplemental appropriation ordinance after the adoption of the budget and prior to the end to the budget year that contains any item rejected by the Mayor or the Board of Supervisors in the original budget appropriation, the supplemental appropriation can only be approved by a two-thirds vote of the Board of Supervisors.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would (1) appropriate $4,112,120 in surplus revenues and de-appropriate $20,570,704 in surplus expenditures, totaling $24,682,824, and (2) appropriate $24,682,824 to pay for overtime in excess of the originally budgeted overtime amounts, resulting in a projected overtime shortfall in the Fire Department, Sheriff's Department, Department of Emergency Management, Department of Public Health, Public Utilities Commission, and Police Department FY 2015-16 budgets.

The attachment summarizes the proposed appropriation of $24,682,824 to pay for overtime costs in excess of the originally budgeted overtime amounts, resulting in a projected overtime shortfall in the respective City departments' FY 2015-16 budgets.

FISCAL IMPACT

Fire Department: $4,112,120

The proposed ordinance appropriates $4,112,120 in new fee and ambulance revenues to the Fire Department's FY 2015-16 budget to pay for $4,112,120 in overtime expenditures, as shown in Table 1 below.

Table 1: Fire Department Appropriation to Overtime

Sources	
Fire OT Service Fees	$496,775
Fire Plan Checking Fees	2,507,313
Ambulance Contractual Adjustments and Allowance	1,108,032
Total Sources	**$4,112,120**
Uses	
Overtime - Uniform	$4,112,120
Total Uses	**$4,112,120**

According to Mr. Mark Corso, Fire Department Chief Financial Officer, the increase in FY 2015-16 overtime is due primarily to:

- An increase in emergency medical calls, for which the Department uses overtime to ensure sufficient emergency medical services to respond to calls.
- An increase in overtime in the Fire Prevention Bureau for events and services outside of normal business hours. The Department has reassigned staff to the Fire Prevention Bureau, which has required the use of overtime to back fill staff who were reassigned from the fire stations to the Fire Prevention Bureau.
- Delays in hiring new firefighter staff funded by the Federal Emergency Management Agency (FEMA) grant.

Approval of the requested appropriation of overtime requires a two-third vote of the Board of Supervisors because the Board approved a reduction in overtime in the Fire Department's FY 2015-16 budget.

Sheriff's Department: $8,401,500

The proposed ordinance de-appropriates $8,401,500 in surplus salaries, and employer contributions to retirement and health benefits in the Sheriff's Department's FY 2015-16 budget to pay for $8,401,500 in overtime expenditures, as shown in Table 2 below.

Table 2: Sheriff's Department Appropriation to Overtime

Sources	
De-appropriation	
Permanent Salaries Miscellaneous	$5,500,000
Permanent Salaries Uniform	1,700,000
Retirement Miscellaneous	851,500
Health Service - City Match	350,000
Total Sources	**$8,401,500**
Uses	
Overtime - Uniform	$8,401,500
Total Uses	**$8,401,500**

According to Chief Deputy Sheriff Kathy Gorwood, the FY 2015-16 surplus in miscellaneous and uniform salaries is due primarily to vacant positions and long term absences. The Sheriff's Department had 77 vacant deputy sheriff positions and 36 long term disability leaves as of February 29, 2016. The increase in FY 2015-16 overtime is due primarily to backfilling vacant uniform positions to meet minimum staffing requirements in the jails. The Sheriff's Department also incurred overtime for uniform staff assigned to special events, such as the Super Bowl 50 events, and protests, and for work related to the transition to the new San Francisco General Hospital.

Department of Emergency Management: $1,361,261

The proposed ordinance de-appropriates $1,361,261 in surplus salaries in the Department of Emergency Management's FY 2015-16 budget to pay for $1,361,261 in overtime expenditures, as shown in Table 3 below.

Table 3: Department of Emergency Management Appropriation to Overtime

Sources	
De-appropriation	
Permanent Salaries Miscellaneous	$1,361,261
Total Sources	**$1,361,261**
Uses	
Overtime - Miscellaneous	$1,361,261
Total Uses	**$1,361,261**

According to Department of Emergency Management staff, the FY 2015-16 salary surplus is due to the resignations of 18 permanent staff and 7 trainees in FY 2015-16. The increase in FY 2015-16 overtime was due to an increase in emergency and non-emergency calls in the 911 Call Center.

Department of Public Health: $2,306,949

The proposed ordinance de-appropriates $2,306,949 in surplus salaries at San Francisco General Hospital (SFGH) in the Department of Public Health's FY 2015-16 budget to pay for $2,306,949 in SFGH overtime expenditures, as shown in Table 4 below.

Table 4: Department of Public Health Appropriation to Overtime at SFGH

Sources	
De-appropriation	
Permanent Salaries Miscellaneous	$2,306,949
Total Sources	**$2,306,949**
Uses	
Overtime - Miscellaneous	$1,730,212
Overtime - Nurses	576,737
Total Uses	**$2,306,949**

According to Mr. James Alexander, San Francisco General Hospital Budget Director, the FY 2015-16 salary surplus is due primarily to delays in hiring budgeted positions because the new San Francisco General Hospital opened six months later than originally scheduled. The increase in FY 2015-16 overtime was due primarily to the assignment of overtime to prepare for the opening of the new hospital and move-in of patients.

San Francisco Public Utilities Commission: $575,994

The proposed ordinance de-appropriates $575,994 in surplus salaries, premium pay, building maintenance and professional services in the San Francisco Public Utilities Commission (SFPUC) FY 2015-16 budget to pay for $575,994 in SFPUC overtime expenditures in the Wastewater Enterprise, Water Enterprise and Hetch Hetchy Enterprise, as shown in Table 5 below.

Table 5: SFPUC Appropriation to Overtime in the Wastewater, Water and Hetch Hetchy Enterprises

	Water Enterprise	Wastewater Enterprise	Hetch Hetchy	Total SFPUC
Sources				
De-appropriation				
Permanent Salaries Miscellaneous			$25,809	$25,809
Premium Pay		229,278		229,278
Building Maintenance	220,907			220,907
Professional Services	100,000			100,000
Total Sources	**$320,907**	**$229,278**	**$25,809**	**$575,994**
Uses				
Overtime - Miscellaneous	$320,907	$229,278	$25,809	$575,994
Total Uses	**$320,907**	**$229,278**	**$25,809**	**$575,994**

According to Mr. Carlos Jacobo, SFPUC Budget Manager, the increase in overtime in FY 2015-16 is due to the following reasons:

Water Enterprise

- The City Distribution Division incurred an increase in overtime due largely to emergency responses to water main breaks and pipe leaks and fires greater than two alarms; and
- The Water Supply Division incurred an increase in overtime due largely to the emergency response to two large transmission pipeline breaks.

Hetch Hetchy Power Enterprise

- The Hetch Hetchy Power Enterprise incurred an increase in overtime due to emergency work for streetlight poles, which required repair during non-regular business hours.

Wastewater Enterprise

- The Wastewater Enterprise incurred an increase in overtime due to backfilling of vacant positions, assigning staff to the Youth Guidance Center at La Honda Camp, operating staff to the Sewer System Improvement Program, and troubleshooting performance problems in the new dewatering equipment at the Oceanside Wastewater Treatment Plant.

Police Department: $7,925,000

The proposed ordinance de-appropriates $7,925,000 in surplus salaries and other current expenses in the Police Department's FY 2015-16 budget to pay for $7,925,000 in Police Department overtime expenditures, as shown in Table 6 below.

Table 6: Police Department Appropriation to Overtime

	Police (Airport)	Police (General Fund)	Subtotal, Police
Sources			
De-appropriation			
Permanent Salaries Miscellaneous	170,000		170,000
Permanent Salaries Uniform	705,000	7,000,000	7,705,000
Other Current Expenses		50,000	50,000
Total Sources	**875,000**	**7,050,000**	**7,925,000**
Uses			
Overtime - Uniform	875,000	7,050,000	$7,925,000
Total Uses	**$875,000**	**$7,050,000**	**$7,925,000**

According to Ms. Carolyn Welch, Police Department Budget Manager, the surplus in salaries in FY 2015-16 is due primarily to (1) vacant General Fund positions due to disability leave, and (2) vacant Airport Fund positions due to delays in hiring. The increase in General Fund overtime in FY 2015-16 was due primarily to (1) changes in how the payroll system codes overtime pay for court duty; and (2) increased overtime for police services to Super Bowl 50 and other events.

RECOMMENDATION

Approve the proposed ordinance.

Table: Appropriation of $24,682,824 to Overtime in the FY 2015-16 Budget

	Fire	Sheriff	Emergency Management	Public Health SFGH	PUC Waste Water	PUC Water	PUC Hetch Hetchy	Police (Airport)	Police (General Fund)	Total
Sources										
Fire OT Service Fees	496,775									496,775
Fire Plan Checking Fees	2,507,313									2,507,313
Ambulance Contractual Adjustments	1,108,032									1,108,032
Subtotal Revenues	*4,112,120*									*4,112,120*
De-appropriation										
Permanent Salaries Miscellaneous		5,500,000	1,361,261	2,306,949			25,809	170,000		9,364,019
Permanent Salaries Uniform		1,700,000						705,000	7,000,000	9,405,000
Premium Pay					229,278					229,278
Retirement Miscellaneous		851,500								851,500
Health Service - City Match		350,000								350,000
Building Maintenance						220,907				220,907
Professional Services						100,000				100,000
Other Current Expenses									50,000	50,000
Subtotal De-appropriation		*8,401,500*	*1,361,261*	*2,306,949*	*229,278*	*320,907*	*25,809*	*875,000*	*7,050,000*	*20,570,704*
Total Sources	**4,112,120**	**8,401,500**	**1,361,261**	**2,306,949**	**229,278**	**320,907**	**25,809**	**875,000**	**7,050,000**	**24,682,824**
Uses										
Overtime - Uniform	4,112,120	8,401,500								12,513,620
Overtime - Miscellaneous			1,361,261	1,730,212	229,278	320,907	25,809	875,000	7,050,000	11,592,467
Overtime - Nurses				576,737						576,737
Total Uses	**4,112,120**	**8,401,500**	**1,361,261**	**2,306,949**	**229,278**	**320,907**	**25,809**	**875,000**	**7,050,000**	**24,682,824**