CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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January 22, 2021

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: January 27, 2021 Budget and Finance Committee Meeting

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Item 4 File 20-1344	Department: Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would (1) authorize the SFPUC General Manager to enter into a Joint Powers Authority (JPA) called "California Community Power" (CC Power) made up of nine Community Choice Aggregators (CCAs) and approve the JPA Agreement; (2) authorize the SFPUC to pay its share of the JPA operating costs for calendar years 2021, 2022 and 2023, up to $50,000 per year; and, (3) waive certain provisions of the Administrative and Environment Code for contracts that do not require Board of Supervisors approval,[1] including requirements for competitive bidding, local small business participation, non-discrimination in contracting, and others.

Key Points

- CleanPowerSF is seeking to join a Joint Powers Authority (JPA) with eight other CCAs in Northern and Central California to jointly procure electrical power-producing and storage projects and services. JPAs can allow utilities to secure lower unit costs from economies of scale given the large investments needed for such projects. They are governed by state law.
- The purpose of the JPA is to develop, procure and operate energy-related projects and services on behalf of the participating members. While the JPA Board will approve any such projects, each member CCA has the right to participate in a "pro-rata share" of the project but is not required to do so. These projects will be governed by separate Project Agreements which will set out how costs and benefits are distributed, liabilities and procurement process.

Fiscal Impact

- The proposed ordinance would authorize the SFPUC to pay its share of the startup and ongoing administrative costs related to the JPA's operations for calendar years 2021, 2022 and 2023, up to $50,000 per year.
- The more significant costs associated with the development and procurement of joint electricity projects and related services will be captured in Project Agreements. The costs associated with these projects is currently unknown, however, if they meet SFPUC and City Charter contract thresholds, they will require approval by the SFPUC Commission and/or the Board of Supervisors.

Recommendation

- Approve the proposed ordinance.

[1] Excluded contracts would generally include non-construction contracts under 10 years in length or with less than $10 million in expenditure and/or amendments of such contracts that are less than $500,000, pursuant to San Francisco Charter Section 9.118.

MANDATE STATEMENT

California Government Code Section 6502 requires approval by the legislative body of any public agency seeking to enter a Joint Powers Agreement to exercise any power common to the contracting parties.

BACKGROUND

Community Choice Aggregator

CleanPowerSF is the Community Choice Aggregation (CCA) program of the City and County of San Francisco operated by the San Francisco Public Utilities Commission's (SFPUC) Power Enterprise that provides electricity supply to commercial and residential customers in San Francisco. CleanPowerSF began serving customers in May 2016 following Board approval in May 2004.[2] CleanPowerSF currently serves around 60% of San Francisco's total electricity demand, or around 376,000 accounts.[3]

CCAs are state-authorized programs which allow local governments to provide electricity to participant customers using the existing Investor Owned Utility's billing, transmission, and distribution infrastructure.[4] CCAs generally offer participant customers greater choice in the share of renewable energy sources used to generate electricity. Customers can opt of CCA services and return to any other utilities serving the area if they choose.

Joint Power Authority

Under state law, public agencies can join together in a Joint Power Authority (JPA), a standalone public entity, to jointly exercise any powers they have in common.[5]

CleanPowerSF is seeking to join a Joint Powers Authority (JPA) with eight other CCAs[6] in Northern and Central California to jointly procure electrical power-producing and storage projects and related services. The formation of the JPA would allow the members to jointly procure energy-related projects and services at lower costs by leveraging economies of scale.

The proposed JPA members are:

1) CleanPowerSF,
2) Central Coast Community Power (serving parts of Monterey, San Benito, Santa Cruz, San Luis Obispo and Santa Barbara counties),
3) East Bay Community Energy Authority (Alameda County),

[2] See Ordinance Nos. 86-04, 147-07, 232-09, 45-10, 200-12, and 78-14; and Resolution Nos. 348-12, 331-13, and 75-15.
[3] Information from SFPUC staff and on SFPUC's website.
[4] CCAs are authorized by the California Public Utilities Code Section 331.1(c) and 366.2.
[5] California Government Code Sections 6500 – 6599.3.
[6] The proposed legislation only lists seven CCAs as it does not identify Peninsula Clean Energy as one of the proposed members. SFPUC has indicated they intend to amend the legislation.

4) Marin Clean Energy Authority (serving Contra Costa, Marin, Napa and Solano counties as well as towns and cities within those counties),
5) Redwood Coast Energy Authority (Humboldt County),
6) Peninsula Clean Energy (San Mateo County and incorporated cities),
7) San Jose Clean Energy (City of San Jose),
8) Silicon Valley Clean Energy Authority (parts of Santa Clara County), and
9) Sonoma Clean Power Authority (Sonoma and Mendocino Counties).

The SFPUC Commission is expected to review the JPA at its January 26th meeting. As of January 8, 2021, five CCAs have approved membership in the JPA and the other three are expected to bring the JPA before their legislative bodies by the end of January.[7]

DETAILS OF PROPOSED LEGISLATION

The proposed legislation would:

1) approve the Joint Powers Agreement between the SFPUC and the other signatories to form a Joint Powers Authority called "California Community Power" (CC Power);
2) authorize the SFPUC General Manager to enter into a Joint Powers Authority (JPA) called "California Community Power" (CC Power) expected to be made up of nine Community Choice Aggregators (CCAs) covering parts of the Bay Area, Humboldt and Mendocino Counties and parts of Monterey, San Luis Obispo and Santa Barbara;
3) authorize the SFPUC to pay its share of the JPA operating costs for calendar years 2021, 2022 and 2023, up to $50,000 per year (discussed in the Fiscal Impact section below); and,
4) waive certain provisions of the Administrative and Environment Code for contracts that do not require Board of Supervisors approval,[8] including requirements for competitive bidding, local small- and micro-business participation, non-discrimination in contracting, and others. Some of these will be covered by other state and local requirements.

Joint Powers Authority Agreement

The primary purpose of the California Community Power JPA is to develop, procure and operate joint energy-related projects and services on behalf of the participating members.

Specifically, the JPA Agreement states the members seek to jointly engage in:

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[7] CCAs who have approved the JPA include: Silicon Valley Clean Energy (SVCE), Redwood Coast Energy Authority (RCEA), Marin Clean Energy (MCE), San Jose Clean Energy (SJCE), and Sonoma Clean Power (SCP). Central Coast Community Energy (formerly Monterrey Bay Community Power) will be presenting to their legislative board on the week of January 11 and Peninsula Clean Energy and East Bay Community Energy will be seeking approval at their respective Board meetings later in January.

[8] Excluded contracts would generally include non-construction contracts under 10 years in length or with less than $10 million in expenditure and/or amendments of such contracts that are less than $500,000, pursuant to San Francisco Charter Section 9.118.

(i) the acquisition and operation of wholesale power supplies, resource adequacy and renewable attributes,

(ii) the provision of joint consulting and contracting services via master agreements and bulk purchasing and financing of decarbonization products,

(iii) the offering of energy risk management and California Independent System Operator ("CAISO") scheduling services; and

(iv) other energy services or programs which may be of benefit to members.

Role and Powers of the JPA

According to the proposed JPA Agreement, the JPA would have the following powers:

- **Develop, manage, and operate energy-related projects:** Acquire, purchase, finance, offer, arrange, construct, maintain, utilize and/or operate projects;
- **Hire and employ staff;**
- **Enter into contracts:** Make and enter into contracts and service agreements;
- **Manage real property:** Acquire, contract, manage, maintain, lease, sell real and personal property;
- **Receive and collect moneys and public grants/ loans;** and,
- **Incur and Issue Debt:** incur, debts, liabilities and obligations and Issue revenue bonds and other forms of debt. However, the JPA Agreement specifies that any bonds issued will not automatically create an obligation on members unless authorized by the member's governing body.

The JPA is also limited in engaging in policy advocacy where a conflict could exist with member organizations and must abide by applicable local zoning and building laws and the California Environmental Quality Act (CEQA).

Obligations and Liabilities of JPA Members

As a public agency, the JPA is also subject to state transparency and procurement requirements imposed on other public agencies, including Brown Act requirements and the state public procurement code (discussed further in the "Waiver of San Francisco Administrative Code Provisions" below).

Share of Operating Costs

JPA members are also liable for an equal share of the JPA's general administrative costs. These costs include daily operating costs and other administrative costs (i.e. accounting, audits, and other staff needed to meet Brown Act and Public Records Act requirements). This is discussed further in the Fiscal Impact section below. The JPA Agreement also includes a specific provision stating that CleanPowerSF's financial obligations are special limited obligations to be paid solely from CleanPowerSF revenues and are not a charge against the PUC or the City's general fund and any payment obligation may not exceed the amount of expenditure authorized by the Controller through relevant budget or supplemental appropriations.[9]

JPA Governance and Operating Structure

The JPA will be governed by a Board of Directors made up of one representative from each member CCA.[10] The Board will elect a Chair and Vice-Chair and appoint a Secretary and Treasury/ Controller. The Board is generally responsible for approving budgets, projects, and any amendments to the JPA Agreement. Amendments to the JPA Agreement relating to cost allocations, the JPA's powers, membership, termination of the JPA, and member liabilities require approval by two-thirds of the JPA Board and by the respective members' governing bodies. The JPA is required to have a part or full time General Manager, may appoint other staff as deemed necessary, and must carry out annual financial audits. New CCAs may join the JPA with a two-thirds vote of the JPA Board and existing members may withdraw from the JPA based on specified procedures.

Project Agreements

While the JPA Board will approve any such projects, each member has the option to participate in a pro-rata share of the project, but is not required to do so. These projects will be governed by separate Project Agreements among the participating members which will set out how costs and benefits are distributed, liabilities and procurement process.

Agreements for power purchases, generation, and storage will each be subject to approval from the participating JPA members' governing boards that wish to participate in each project. If these agreements exceed ten years or are greater than $10 million, they will require approval by the Board of Supervisors.

Waiver of San Francisco Administrative Code Provisions

Appendix A summarizes the contract- and procurement-related requirements in the Administrative Code and Environment Code that would be waived by the proposed legislation. These requirements would only be waived for contracts that are not subject to Board of Supervisors approval (i.e. non-construction contracts under 10 years in length and/or requiring less than $10 million in expenditure). According to SFPUC, imposition of each member's procurement and contracting rules would be infeasible in operating CC Power.

Of most significance is the waiver of Administrative Code Section 21.1 which generally requires competitive bidding for commodities and professional services in excess of $129,000 and general services in excess of $706,000. Under the proposed JPA Agreement, by default, the procurement rules of a designated member (Silicon Valley Clean Energy, and ultimately the City of Cupertino) would apply until the JPA agrees its own procurement rules. The City of Cupertino appears to have less stringent competitive bidding and procurement rules than San Francisco with respect to commodities and professional services but more stringent rules for general services. In particular, the Cupertino Municipal Code exempts professional services from any competitive bidding and lowest bid award requirements. According to the CleanPowerSF Director and the City

[9] JPA Agreement, section 8.02(b)

[10] Representatives must be the General Manager/ Chief Executive Officer or their designee.

Attorney's Office, local procurement rules in Cupertino may require Purchasing Officer and City Manager approval to enter into contracts without bidding.

Two other requirements relating to nondiscrimination in contracts and the consideration of criminal history in hiring are generally covered by state requirements that apply to all employers with five or more employees.[11] Other waived provisions include encouragement of the use of local business participation in contracts, implementation of the MacBride principles by contractors doing business in Northern Ireland and prohibition of the use of tropical hardwood and virgin redwood by City contractors.

FISCAL IMPACT

JPA General Administrative Costs

The proposed ordinance would authorize the SFPUC to pay its share of the startup and ongoing administrative costs related to the JPA's operations for calendar years 2021, 2022 and 2023, up to $50,000 per year. Any increase in costs beyond the authorized amount would require further Board of Supervisors approval. Costs will be paid from CleanPowerSF revenues.

According to the JPA Agreement, the JPA's general administrative costs will be equally divided among all the participating members. At a minimum, the JPA must be staffed by a part or full time General Manager, must appoint a Treasurer and Controller, and carry out an annual financial audit. Exhibit 2 provides estimates for these costs produced by the CleanPowerSF Director.

Exhibit 2: Estimated Annual Joint Powers Authority Administrative Costs

Cost Item	Estimated Annual Cost
General Manager	$36,000
General Counsel	$66,000
Staff/ Support	$60,000
Annual Financial Audit	$5,000
Total	**$167,000**
CleanPowerSF Share (1/9th of total)	***$18,555***

Source: SFPUC estimates

As shown above, the SFPUC's share of the JPA's operating expenses are expected to total $18,555 per year, which is below the proposed ordinance's annual spending authorization of $50,000 per year. An additional contingency in the spending authority relative to these estimated costs is reasonable given the uncertainty around JPA staffing needs and the relatively low expenditure amount requested.

Any costs associated with the development, procurement or operation of joint projects undertaken by the JPA would be covered by specific Project Agreements and Project Participation Agreements between participating CCA members.

[11] See California Government Codes 12940 and 12952, respectively.

RECOMMENDATION

Approve the proposed ordinance.

Appendix A: Summary of San Francisco Administrative and Environment Code Provisions Waived by the Proposed Legislation

Code Sec.	Title/ Description	Key Code Section Requirements	Reason for Waiving
AC Ch. 12B	**Nondiscrimination in contracts**	Prohibits employment discrimination by City contractors and sub-contractors.	Covered by CA Govt Code Sec. 12940
AC Ch. 12F	**MacBride Principles (Northern Ireland)**	Requires City contracts to contain a statement urging companies doing business in Norther Ireland to abide by the MacBride Principles.	Impractical to impose on other CCAs according to SFPUC
AC Sec. 12T	**Consideration of criminal history in hiring**	Prohibits City contractors and sub-contractors to consider criminal history in employment decisions.	Covered by CA Govt Code Sec 12952
AC Ch. 14B	**Increased participation by small and micro local businesses in City Contracts**	Requires good faith effort to award City contracts to local business enterprises.	Impractical to impose on other CCAs according to SFPUC
AC Sec. 21.1	**Competitive Bidding Requirement**	Requires competitive bidding and lowest-bid selection for commodities and professional services in excess of $129,000 and general services in excess of $706,000 (SF AC Sec. 21.02).	CC Power is subject to state-mandated competitive bidding for public agencies through the JPA Agreement (specifically, the JPA is subject to Cupertino Municipal Code Procurement Laws).[1] Cupertino Municipal Code requires competitive bidding for goods and services above $200,000 but exempts professional services from any competitive bidding requirements.[2]
EC Ch. 8	**Tropical hardwood and virgin redwood ban**	Generally prohibits the use of tropical hardwood and virgin redwood by City contractors or sub-contractors.	Impractical to impose on other CCAs according to SFPUC

Source: Legislation text, Section 4
Notes: AC: Administrative Code; EC: Environment Code.
[1] California Government Section 6509 and JPA Agreement Section 2.03.
[2] Cupertino Municipal Code Section 3.22

Item 5 **File 21-0008**	**Department:** Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the San Francisco Public Utilities Commission (SFPUC) General Manager's Declaration of Emergency to repair and replace the fences damaged in the SCU Lightning Complex (SCU Fire) fire for a total not-to-exceed cost of $4.5 million, in accordance with Administrative Code Section 6.60. Administrative Code Section 6.60 requires Board of Supervisors approval of emergency work with estimated costs of more than $250,000.

Key Points

- In August 2020, the SCU Fire burned nearly 400,000 acres, including 10,500 acres of SFPUC watershed property in Alameda and Santa Clara Counties, and approximately 50 miles of fencing that protected watershed lands and the regional water system infrastructure.
- According to SFPUC staff, because the competitive bidding process for construction work can take up to 6 months, which would end up leaving watershed lands and reservoirs vulnerable to trespassing and damage from unfenced cattle for an extended period of time, SFPUC staff selected Ranch Fence, Inc., and All Commercial Fence without the standard competitive bidding process to repair and replace the approximate 50 miles of fencing. Both vendors were selected after a Request for Quotes was issued to nine vendors with the necessary certification and experience constructing fencing in steep terrain.
- Authorization to Perform Work Notices were issued to both vendors on January 19, 2021 and each initial contract amount awarded will be for a not-to-exceed total of $500,000 for the initial construction of 10 total miles of fencing in the highest priority areas. SFPUC staff anticipates amending each contract to increase the scope of work to include repairing the entire 50 miles of fencing. According to SFPUC staff, the initial contracts do not include the entire 50 miles of fencing because the work assignments for the remaining 40 miles of fencing are not yet finalized.

Fiscal Impact

- The estimated not-to-exceed cost to repair and replace the fencing is $4.5 million, which includes a 19 percent contingency. The funds would come from the SFPUC Water Enterprise budget.

Policy Consideration

- The intent of the proposed resolution, which waives Administrative Code Chapter 6, 12A, 12B, 12C and 14B, is to authorize the approval of emergency work to repair and replace approximately 50 miles of fencing due to the SCU Fire. SFPUC plans to amend the contracts with the two selected contractors to complete the remaining fencing and does not plan to competitively bid for contractors to construct the additional 39.9 miles of fencing.

Recommendation

- Amend the proposed resolution to state that the total cost of emergency work does not exceed $4,250,000, which includes $456,003 (12 percent) for contingency, rather than $4,500,000 as currently stated.

MANDATE STATEMENT

Administrative Code Section 6.60 provides that City contracts entered into for emergency work may be executed in the most expeditious manner. However, declarations of emergencies where the repair work is anticipated to be $250,000 or more are subject to Board of Supervisors approval. Section 6.60(d) also states that if the emergency does not permit Board of Supervisors approval of the emergency before work is commenced or the contract(s) entered into, such approvals from the Board of Supervisors shall be obtained as soon as possible, with the proposed resolution approving the emergency determination submitted to the Board of Supervisors within 60 days of the department head's emergency declaration.

BACKGROUND

The SCU Lightning Complex Fire (SCU Fire), which began on August 16, 2020, ultimately burned nearly 400,000 acres, including 10,500 acres of San Francisco Public Utilities Commission (SFPUC) watershed property in Alameda and Santa Clara counties, and approximately 49.9 miles of fencing that protected the watershed lands and regional water system infrastructure from trespass, vandalism and contamination of drinking water sources (see Attachment I). The SCU Fire was 100 percent contained by early October 2020.

The SFPUC General Manager declared a state of emergency due to the loss of the fencing on SFPUC watershed land in a letter to the PUC Commission President on October 19, 2020. The SFPUC submitted a resolution, declaring a state of emergency, to the Board of Supervisors on December 14, 2020, which falls within the 60-day requirement of Administrative Code Sec. 6.60(d). The Controller has certified that funds are available for this emergency contract.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the SFPUC's declaration of emergency and related emergency work for a total not-to-exceed cost of $4.5 million.

In approving the emergency work, the Board of Supervisors is granting SFPUC exemption from requirements of Chapter 6 of the Administrative Code, which contains policies and procedures for the City's public works contracting, Chapters 12A, 12B and 12C of the Administrative Code, which contain policies related to nondiscrimination in contracts, and Chapter 14B of the Administrative Code, which contains policies for local hiring in the City's contracting process. These provisions are summarized in Attachment II. These exemptions only apply to SFPUC contracting related to emergency repair work to replace and repair fences on SFPUC watershed land in Alameda and Santa Clara counties damaged by the SCU Lightning Complex Fire. The location of the fencing to be repaired or replaced is shown in Attachment I.

According to Mr. Greg Lyman, Construction Contract Manager with SFPUC, the emergency fencing repair work is necessary in order to reduce trespassing onto watershed land, prevent unfenced cattle from wandering into public roads or potentially damaging private property, and to reduce the risk of waterborne pathogens from contaminating the water supply.[1] According to Mr. Lyman, the standard SFPUC competitive bidding process can take approximately six months to select a vendor, which would leave the watershed land and the Calaveras and San Antonio Reservoirs in a vulnerable state for an extended period of time.

Procurement Process

In November 2020, the SFPUC forwarded Request for Quotes (RFQ) #WD-2881(E) to six vendors known by the San Francisco Public Utilities Commission Water Enterprise Natural Resources Division to have the necessary fencing certification, as well as demonstrated experience in constructing rangeland fence in rugged terrain.[2] SFPUC forwarded the RFQ to an additional three vendors known by SFPUC to have experience constructing fencing specifically in steep terrain. A total of nine vendors received the RFQ. The solicitation allows for the selection up to three vendors.

Site visits were conducted on December 1st and 2nd and a total of five vendors attended the initial site visits. According to Mr. Lyman, the original deadline to submit quotes was December 11, 2020, but was extended through the end of December in order to allow time for an additional qualified vendor to submit a quote. Another site visit was conducted on December 15th and was attended by Ranch Fence, Inc., a fencing contractor specializing in constructing fencing on steep terrain.

Out of nine vendors contacted, Ranch Fence, Inc. and All Commercial Fence submitted bids in response to the RFQ by the end of December. A selection panel evaluated the bids based on contractor' ability to meet work requirements and cost and determined that both vendors were qualified to complete the work.[3] Notices of Authorization to Perform Work were issued to both vendors on January 19, 2021. Both vendors have previously worked for the City as subcontractors.

Between the two firms selected, it is anticipated that most fencing will be completed by the end of 2021 with some fencing work in difficult terrain continuing into 2022. According to Mr. John Scarpulla, SFPUC's Government Affairs Manager, the extended timeline is due to the difficulty of constructing fencing in remote and inaccessible areas, as well as challenges posed by weather conditions.

SFPUC is currently in the process of finalizing contracts for initial fencing work to be completed by both vendors. According to SFPUC, each initial contract amount awarded will be for a not to exceed total of $500,000, for a combined not to exceed total of $1 million. Table 1 below summarizes the scope of work for each vendor. As described below, SFPUC anticipates amending

[1] According to Mr. Greg Lyman, Cryptosporidium is a waterborne pathogen that could potentially cause contamination of the reservoirs due to free-roaming cattle. Cryptosporidium comes from the placenta of newborn calves, and typically there is a 300-foot buffer around water reservoirs to prevent such contamination the water supply.

[2] Contractors are required to have a C-13 Fencing Contractor license issued by the California State License Board.

[3] The panel members consisted of a Contract Manager with the Contract Administration Bureau, a Resident Engineer with SFPUC's Construction Management Bureau and a Rangeland Manager with SFPUC's Natural Resources and Land Management Division.

each contract to increase the scope of work to include repairing the entire 49.9 miles of damaged fencing.

Table 1. Summary of Initial Repair Work to be Completed by Spring 2021

Vendor	Area	Amount of Fencing (feet)	Estimated Cost of Completion
Ranch Fence	Calaveras Road South (Eastern side)	10,032	$144,461
	Calaveras Road South (West side)	19,008	273,715
Subtotal		*29,040*	*418,176*
All Commercial	San Antonio Reservoir	6,864	98,842
	Maguire Peaks	16,896	243,302
Subtotal		*23,760*	*342,144*
Grand Total		**52,800**	**$760,320**

Source: Ranch Fence, Inc., and All Commercial Work Authorization Notices, received from SFPUC

Under the current scopes of work, Ranch Fence, Inc. will complete an estimated 5.5 miles of fencing and All Commercial, Inc. will complete an estimated 4.5 miles of fencing. SFPUC estimates that the work will take up to 100 days and will not exceed $1 million total ($500,000 for each contractor). Mr. Scarpulla indicated that both firms are able to begin work in February 2021. Upon completion of the work, which is estimated to result in a combined total of 52,800 feet of fencing (10 miles), subsequent task orders will be assigned to each vendor based on vendor performance and efficiency. Based on the initial cost estimate of $14.40/ft, the estimated total cost of construction for Ranch Fence, Inc. is approximately $418,176 and the estimated total cost for All Commercial is $342,144, for a combined estimated total cost of $760,320 for the construction of 10 total miles of fencing.[4] According to Mr. Lyman, these initial contracts are for completion of the highest priority fencing areas, which include Calaveras Road and the San Antonio Reservoir.

According to SFPUC, the cost of the initial emergency work on the ten miles of fencing may exceed $500,000 for each vendor due to unforeseen higher-than-expected fencing and labor costs. If the current not-to-exceed value of $500,000 is met, the contract will be increased commensurate with task orders assigned to the vendor. Since the contracts do not include contingency, unforeseen expenses would be addressed as change orders. The contract documents have not yet been finalized, as both vendors still need to execute the Performance and Payment Bond form.[5]

[4] Based on the currently available cost estimate of $14.40/feet.

[5] According to Mr. Lyman, the full estimated amount is not awarded to each vendor in their current contracts and the performance and payment bond requirements will increase with each task order.

FISCAL IMPACT

SFPUC's estimated cost of emergency work to replace and repair 49.9 miles (263,472 feet) of fencing damaged by the SCU Lightning Fires is $3,793,997, based on an estimated labor cost of $10/ft and estimated materials cost of $4.40/ft. The estimated cost per mile of fencing is $76,032. See table 2.

Table 2. Total Estimated Cost for Fencing Replacement/Repair

Purpose	Estimate Cost
Fence Material ($4.40/ft)	$1,159,277
Labor Cost ($10/ft)	$2,634,720
Total	**$3,793,997**

Source: Received from SFPUC

Cost estimates are based on a comprehensive damage assessment that was conducted shortly after the fire was contained in September 2020. According to Mr. Tim Ramirez, Manager of Natural Resources & Lands Management Division with SFPUC, the estimate relies on SFPUC's annual fence repair and replacement costs and is likely conservative (low) due to potential variable costs of materials.[6]

FEMA Reimbursement

SFPUC will likely receive reimbursement from the Federal Emergency Management Agency (FEMA) for 34 miles (out of the 49.9 miles total) of damaged fencing in Santa Clara County, which amounts to $2,585,088[7]. According to Mr. Ramirez, SFPUC will not receive FEMA reimbursement until after all of the emergency repair fencing is completed.

Funding Source

The source of funding for this emergency work is the San Francisco Public Utilities Commission Water Enterprise budget.

Not-to-Exceed Amount

The proposed resolution approves SFPUC's declaration of an emergency with respect to repairing fencing damaged by the SCU Fire with a total cost not-to-exceed $4.5 million, which is approximately $706,003 or approximately 19 percent more than the SFPUC's estimated cost of that work, which the SFPUC considers a reasonable contingency amount.

According to Mr. Ramirez, the 19 percent contingency estimates are based on previous construction planning processes, and given the uncertainty surrounding costs of materials, labor

[6] According to Mr. Ramirez, since so many other large landowners were affected by last year's fires, SFPUC anticipates the costs for materials might be higher than $4.40/ft due to higher-than-normal demand and limited inventory.

[7] 34 miles = 179,520 feet. 179,520 * 14.40= $2,585,088. While the full $4.5 million was submitted for reimbursement, SFPUC estimates that only the fencing located in Santa Clara County will be eligible. Reimbursement is possible due to Santa Clara County's eligibility for Fire Management Assistance Grant (FMAG) assistance. Alameda County is not currently considered eligible for FMAG funding.

and overall planning, 19 percent contingency is being used for this request.[8] SFPUC is directly managing this contract.

The Budget and Legislative Analyst recommends amending the proposed resolution to state that the estimated cost of the work does not exceed $4.25 million. This amount of $4.25 million equals the SFPUC's costs estimate for the work of $3.8 million plus a contingency of $456,000 or 12 percent, which is consistent with standard contingency amounts in construction contracts ranging from 8 percent to 15 percent.

POLICY CONSIDERATION

The SFPUC is requesting approval of emergency work for damage to approximately 49.9 miles fencing in Alameda and Santa Clara Counties that occurred in August 2020. Repair work is expected to begin in February 2021 and be largely completed by the end of December 2021, with some work in hard to access locations potentially extending to 2022. As noted above, SFPUC is currently finalizing contract awards for construction of approximately 10 miles of fencing on Calaveras Road South (Section A.3 on the map in Attachment I), San Antonio Reservoir (Section A.1 on the map in Attachment I), and Maguire Peaks (Section B.1 on the map in Attachment I), which is expected to begin in February 2021 and be completed in approximately 100 days or by May 2021.

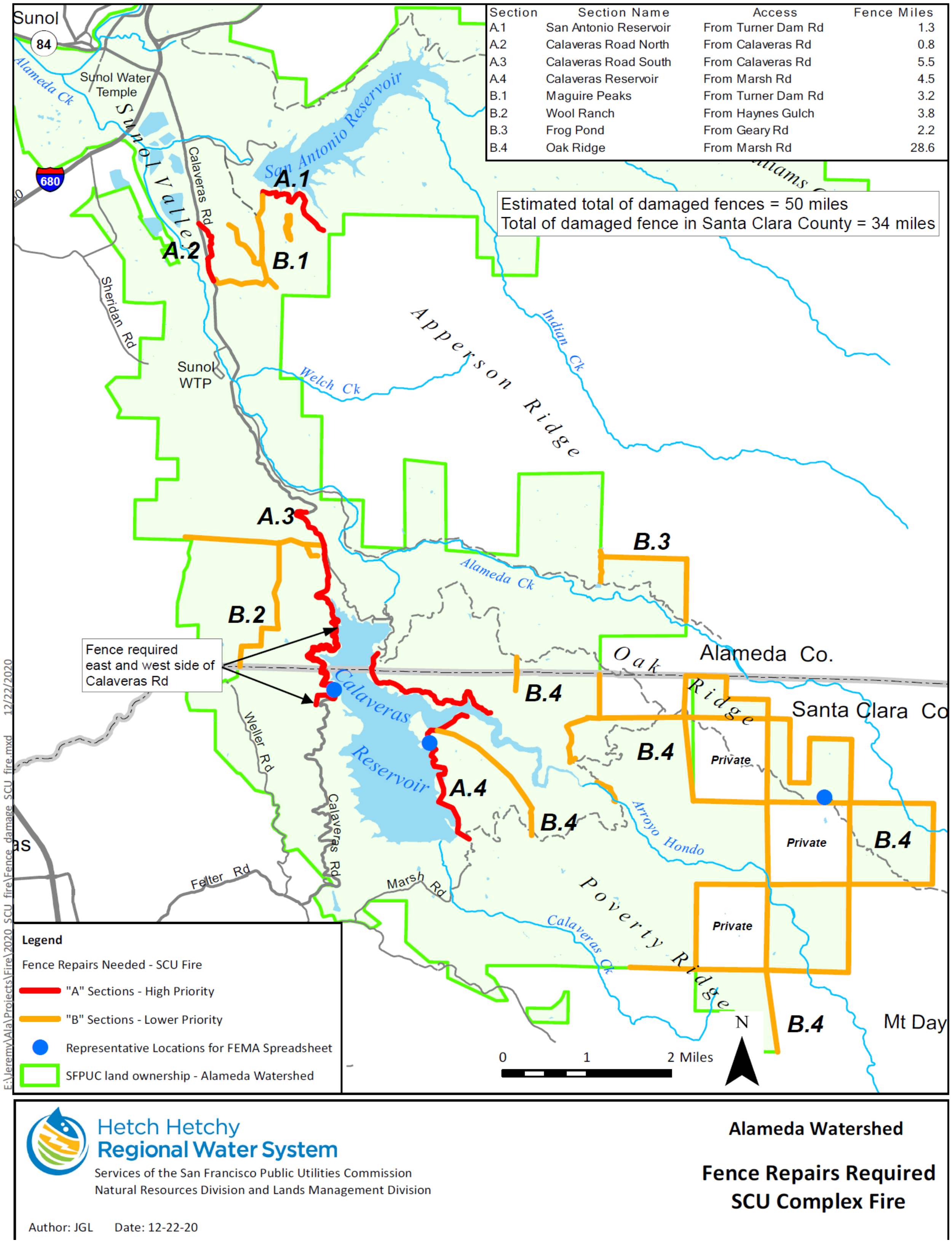
The SFPUC plans to amend the contracts with the two selected contractors to construct the additional 39.9 miles of fencing in February. According to Mr. Lyman, SFPUC plans to assign the additional sections of fencing to the two selected vendors before May 2021 in order to allow the contractors to procure materials and begin work in these areas prior to May. The Calaveras Road and San Antonio Reservoir sections were assigned early to the contractors so that SFPUC could proceed with finalizing necessary contract documents while working out the other assignments.

RECOMMENDATION

Amend the proposed resolution to state that the total cost of the emergency work does not exceed $4,250,000 rather than $4,500,000 as currently stated.

[8] According to Mr. Lyman, cost per foot is not uniform due to variable terrain and more costly materials will be needed for certain sections of fencing. The extent of the necessity for more expensive materials is currently unknown.

Attachment I



Section	Section Name	Access	Fence Miles
A.1	San Antonio Reservoir	From Turner Dam Rd	1.3
A.2	Calaveras Road North	From Calaveras Rd	0.8
A.3	Calaveras Road South	From Calaveras Rd	5.5
A.4	Calaveras Reservoir	From Marsh Rd	4.5
B.1	Maguire Peaks	From Turner Dam Rd	3.2
B.2	Wool Ranch	From Haynes Gulch	3.8
B.3	Frog Pond	From Geary Rd	2.2
B.4	Oak Ridge	From Marsh Rd	28.6

Attachment II

Emergency Declaration Waivers

If the proposed resolution approving the SFPUC's emergency declaration is approved by the Board of Supervisors, the following Administrative Code provisions would be waived for contracts related to repairing fencing damaged by the SCU Fire.

Board of Supervisors Approval

Section 6.60 of the Administrative Code requires the Board of Supervisors approval for public works emergency repairs costing greater than $250,000.

Section 6.80 of the Administrative Code requires written notification to the Board of Supervisors if public works contractor submits false claims to the City. The proposed ordinance waives this requirement.

Section 6.81 of the Administrative Code allows the Board of Supervisors, on the recommendation of the Mayor, Department Head or the board or commission concerned, to nullify of a public works contract if contractors are found to have colluded with City officials. The proposed ordinance waives this requirement.

Section 6.26 of the Administrative Code requires public works contractors' performance be monitored and evaluated in a database maintained by the awarding Departments and report performance to the Board of Supervisors. The proposed ordinance waives this requirement.

Lowest Bid for Construction Contracts

Section 6.20 of the Administrative Code requires public works contracts valued over $600,00 must be awarded to the bids that demonstrate the ability meet project specifications at the lowest possible cost. The proposed legislation waives this requirement. SFPUC has stated that due to the urgent need for fencing to be built in rugged and remote areas as soon as possible, they have selected two qualified vendors through a competitive solicitation process. One of the vendors submitted a quote for construction at a lower cost, however SFPUC stated that the lower cost option, Ranch Fence, Inc., is unable to complete all required 46.6 miles of fencing.

Local Hiring Requirements

Chapter 14B of the Administrative Code requires adherence to local hiring requirements for construction contracts. The proposed legislation waives this requirement.

Detailed Cost Estimates

Section 6.20 of the Administrative Code requires that for public works contracts valued over $600,000, no Department Head should recommend a contract or issue an award without preparing a detailed cost estimate of the work to be performed. The proposed legislation waives this requirement.

Requirements for Bids and Quotes

Section 6.21 of the Administrative Code requires that for public works contracts valued over $600,000, the solicitation must be circulated in at least one newspaper or made publicly available online not fewer than 10 days prior to the bid opening. The proposed legislation waives this requirement.

Maintenance of Records

Section 6.22(e)(6) requires that public works contractors maintain records verifying compliance with labor standards and the prevailing wage requirements. The proposed legislation waives this requirement.

Nondiscrimination in Public Contracting

Section 12B.2 requires that all contracting City agencies include nondiscrimination provisions in any executed contracts. The proposed legislation waives this requirement.

Item 6 **File 20-1343**	**Department:** San Francisco International Airport

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would exempt a reimbursable agreement between the Airport and the Federal Aviation Administration (FAA) from Administrative Code and Environment Code requirements.

Key Points

- The Airport is installing a Ground Based Augmentation System (GBAS), which is a navigation system that utilizes the Global Positioning System to provide landing approaches to airport runways. The GBAS will enhance arrival and landing operations at the Airport, and may provide community noise reduction benefits, enable more efficient approaches, increase safety, and reduce delays during low-visibility weather conditions.
- The Airport will reimburse the FAA in full for all expenses incurred by the FAA in installation and certification of the GBAS, and in conducting the required training of FAA flight control personnel.
- As a condition of entering into such agreement, the FAA requires that the contract be granted full waiver from all provisions of the City Administrative and Environment Codes. Concerted efforts were made by Airport legal staff to craft a more tailored and limited set of regulatory exemptions. Despite several rounds of negotiations, the FAA ultimately refused to accede to anything less than grant of full wavier.
- To move forward with installing the GBAS, the Board will therefore need to approve the blanket exemptions as required by the FAA.

Fiscal Impact

- The estimated cost of the reimbursement agreement with the FAA is $235,845. The contract does not have built-in cost control provisions, such as a not-to-exceed amount.

Recommendation

- Because the installation of the GBAS requires the involvement of the FAA to certify, oversee, and implement the GBAS, and because the FAA requires that the Airport execute a reimbursable agreement for the FAA's services in the form required by the FAA, we recommend approval of the proposed ordinance.

MANDATE STATEMENT

City Charter Section 2.105 states that all legislative acts shall be by ordinance, approved by a majority of the members of the Board of Supervisors.

BACKGROUND

The Ground Based Augmentation System (GBAS) Project ("Project") will enhance arrival and landing operations at the Airport by allowing aircraft to fly satellite-based approaches. GBAS is a modern precision navigation system that operates by monitoring the Global Positioning System (GPS) signal and can provide multiple landing approaches to all runways. GBAS-enabled flight procedures may provide community noise reduction benefits, enable more efficient approaches, increase safety, and reduce delays during low-visibility weather conditions. The total cost of the GBAS project is $10 million.

To install the Ground Based Augmentation System, the Airport intends to enter into a reimbursable agreement with Federal Aviation Administration (FAA), through which the Airport will reimburse the FAA for costs incurred during the planning, consultation, certification, and training of personal in system operations.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would exempt the reimbursable agreement between the Airport and the FAA from Administrative Code and Environment Code requirements.

Purpose of Waiver

To implement the Project, the Airport requires the involvement of the FAA to certify, oversee, and implement the GBAS. The FAA will provide technical oversight, perform flight inspections, commission the GBAS, and train FAA technical operations personnel. The FAA requires the Airport to execute a reimbursable agreement for the FAA's services in the form required by the FAA. To cover the costs of the FAA, the Airport will agree to reimburse the FAA for an amount of $235,846. In order to enter into a contract with the Airport, the FAA is requiring the City to grant a full wavier of the contract agreement from all provisions of the City Administrative Code the Environment Code.

In conducting our review of the proposed ordinance, our office raised concerns with Airport staff about the precedent that could be established if the Board was to authorize a complete waiver of all provision of the City Administrative and Environment Codes. According to Mr. Rinaldi Wibowo (Project Manager), and Mr. Nicholas Niiro (Deputy City Attorney), the SFO had similar concerns, and engaged in two rounds of negotiations with FAA representative seeking a more limited set of exemptions. The matter was also elevated to the attention of Ms. Sheryl Bregman, General Counsel of the SFO.

Despite these efforts, the FAA ultimately responded that they would not agree to anything less than the full wavier from the City's Administrative and Environment Code, as the agency enters into agreements with a large number of local operators, and hence has a valid interest in not establishing precedent requiring the FAA to negotiate special exemptions within multiple local operating agreements.

Airport legal staff, and the General Counsel, concluded the Airport had no choice but to accede to the FAA demands as a condition for moving forward with installing the Ground Based Augmentation System. Based on our discussion with Airport representatives, and review of written correspondence, we have concluded that the Airport did engage in a concerted effort to seek FAA approval of a more limited set of exemption for local contracting requirements, but the FAA ultimately was intransigent.

Scope of Reimbursable Agreement

The scope of the contract covers a limited range of costs that will be paid upfront by the FAA and reimbursed by the Airport. These include:

- Participation in planning, design review, and monitoring of construction
- Commissioning and testing of Ground Based Augmentation System following installation
- Certificate that Ground Based Augmentation System meets federal operating standards
- Training of FAA operations personal
- Ongoing oversight and flight inspection

FISCAL IMPACT

The FAA provides its services to the Airport at cost. The cost of the reimbursement agreement is shown in Exhibit 1. Labor services and training are stated at $60,341, with difference covering various non-labor expenses estimated to cost $175,505. The Airport agrees to pre-pay the entire estimated reimbursement cost. Funds will be placed into a designated account and will be released upon receipt of a properly itemized statement from the FAA.

Exhibit 1: Reimbursable Item Estimated Costs

Labor	
Engineering	$28,748
Site Preparation, Installation	$7,324
Implementation Training	$16,021
Labor Subtotal	$52,093
Labor Overhead	$8,248
Total Labor	$60,341
Non-Labor	
Travel	$84,767
Flight Inspection Services	$60,639
Implementation Training	$17,099
Non-Labor Subtotal	$162,505
Non-Labor Overhead	$13,000
Total Non-Labor	$175,505
Total Estimated Cost	$235,846

Source: Proposed Reimbursement Agreement

The Board should note there are no provisions for effective cost control. According to Mr. Wibowo, the FAA would not agree to such provisions, and requires the Board to approve all terms as given in FAA agreement. If the FAA, in the course of executing the agreement, determines that actual costs exceed estimated expenses, the FAA will send the Airport an amendment stating the additional amount. Under the reimbursement agreement, the Airport agrees to reimburse the FAA in full for all actual costs incurred by the FAA over and above the cost estimates as stated in the Reimbursable Agreement. The FAA reimbursable agreement scope will start in Q2 2021 and the agreement will not extend more than five years.

RECOMMENDATION

Approve the proposed ordinance.

Item 7 **File 20-1348**	**Department:** San Francisco International Airport

EXECUTIVE SUMMARY

Legislative Objective

The proposed resolution would approve the second amendment to the International Terminal Duty Free and Luxury Store Lease between the Airport as landlord and DFS Group, L.P. as tenant, to continue the temporary modified percentage rent structure of 33 percent of sales, through the earlier of December 31, 2023 or the reinstatement of the Minimum Annual Guarantee of $42 million, contingent upon completion of certain construction projects by December 31, 2021.

Key Points

- The Board of Supervisors approved the original 14-year lease between the Airport and DFS Group in March 2018 for 12 retail facilities located in the SFO International Terminal, for an initial term of 14 years. Rent was the greater of the initial Minimum Annual Guaranteed (MAG) rent of $42 million or tiered percentage rent, ranging from 45.8 percent of gross receipts up to $100 million, 41.8 percent of gross receipts between $100 million and $160 million, and 30 percent of gross receipts greater than $160 million. The Board of Supervisors approved the first amendment to the lease June 2020, which suspended the MAG rent of $42 million and reduced percentage rent to 33 percent of gross receipts for the remainder of Lease Year 1, which ended on December 31, 2020.
- Under the proposed second amendment, DFS Group would continue to pay the reduced rent of 33 percent of gross receipts until the earlier of December 31, 2023 or the reinstatement of the MAG, contingent on completion of certain construction projects by December 31, 2021. The reinstatement of MAG would occur when passenger traffic in the International Terminal goes back to at least 80 percent of what it was before the start of the lease term, for at least two consecutive months.

Fiscal Impact

- The Airport projects receiving $62.8 million in percentage rent through Lease Years 2, 3 and 4 under the proposed lease amendment (equal to 33 percent of gross receipts), which is $24.3 million less than the rent that the Airport would otherwise receive of $87.1 million (based on 45.8 percent of gross receipts up to and including $100 million).
- The Airport identified 33 percent of gross receipts as the highest percentage rent that would be possible for the amended lease due to the reduced sales as a result of COVID-19.

Policy Consideration

- The Airport projects concession revenues of $260 million in FY 2020-21, which is $108 million less than budgeted revenues of $368 million in FY 2019-20. The Airport also makes an Annual Service Payment to the City's General Fund, equal to 15 percent of concession revenues. The projected Annual Service Payment to the City's General Fund for FY 2020-21 is $15.2 million, which is $9.9 million (39.5 percent) below budget. In April 2020, enplanements at SFO decreased by 97 percent compared to the prior year.

Recommendation

- Approve the proposed resolution.

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.

BACKGROUND

In February 2018, DFS Group, L.P. (DFS Group) was selected by the San Francisco International Airport (Airport) for the International Terminal Duty Free and Luxury Stores Lease.[1] In March 2018, the Board of Supervisors approved the initial lease agreement between the Airport as landlord and DFS Group as tenant for 14 retail facilities, comprising approximately 46,295 square feet of space located in the International Terminal, Boarding Areas A and G, and the Harvey Milk Terminal 1, Boarding Area B at the San Francisco International Airport, for a term of 14 years with a possible extension of up to five years, and Minimum Annual Guaranteed (MAG) rent of $42 million (File 18-0079).

First Amendment

The first amendment to the International Terminal Duty Free and Luxury Store Lease, approved by the Board of Supervisors in June 2020, suspended the Minimum Annual Guarantee (MAG) rent of $42 million and provided for the payment of a percentage rent structure of 33 percent of gross revenues for the remainder of Lease Year 1, which ended on December 31, 2020 (File 20-0542).

While the lease commenced on October 1, 2018, the phase between the commencement date and March 31, 2020 was considered the Development Term. Over the period of the Development Term, phased construction was taking place and rent was 30 percent of gross revenues. The initial term of the lease is 14 years, from April 1, 2020 through March 2034. Lease Year 1, which started after the end of the Development Period, is the period April 1, 2020 through December 31, 2020.

The original lease stipulated that the lease operating term is to begin when the initial improvements in the International Terminal facilities are substantially complete and open for business. One of the 14 sites, located in Terminal 1, is not scheduled to open until 2022 or later. Of the 14 retail sites covered under the lease, 10 have opened and a total of $42.3 million in rent payments have been made to the Airport as of November 2020, shown in Exhibit 1 below. Currently, most of the 10 fully constructed stores are closed due to the pandemic and greatly reduced international passenger traffic.

[1] The tenant consists of a joint venture partnership between DFS Group L.P., with 75% ownership, and the following five small business partners, each with 5% ownership: Bay Cities Concessions, J.R. Lester & Associates, Marilla Chocolate Co., Skyline Concessions and Skyview Concessions, Inc.

Exhibit 1. Facilities Included in Lease

Retail Site	Square Feet	Rent Start Date	Rent Paid as of November 2020
Duty Free Store A	10,005	10/1/18	$15,632,543
Duty Free Satellite Store A	1,996	10/1/18	498,948
Luxury Space A1*	2,968	10/1/18	1,416,644
Luxury Space A2	2,494	10/1/18	624,853
Luxury Space A3	1,769	10/1/18	424,824
Kiosk	352	10/1/18	**
International Terminal "A" Total	*19,584*		*$18,597,812*
Duty Free Store G	17,141	10/1/18	17,760,451
Duty Free Satellite Store G	1,436	10/1/18	629,063
Luxury Space G1	730	10/1/18	**
Luxury Space G2	1,674	10/1/18	3,170,842
Luxury Space G	2,016	10/1/18	2,186,780
International Terminal "G" Total	*22,997*		*$23,747,136*
Terminal 1 (Expected in 2022)	3,714		**
Total	**46,295**		**$42,344,948**

Source: Received from SFO

* Luxury Space A1 consists of three stores: Gucci, Yves Saint Laurent, and Watches/Jewelry/Accessories
** Not yet open

Note: The amount of rent shown in exhibit 1 is for the period of 10/1/2018 through 11/30/2020. December 2020 sales figures were not yet available.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the second amendment to the International Terminal Duty Free and Luxury Store Lease between the Airport as landlord and DFS Group, L.P. as tenant, to continue the temporary modified percentage rent structure of 33 percent of sales, through the earlier of December 31, 2023 or the reinstatement of the Minimum Annual Guarantee of $42 million, contingent upon completion of certain construction projects by December 31, 2021. There is no change to the 14-year term.

MAG and Percentage Rent

The original lease between the Airport and DFS Group, L.P. provided for rent to the Airport equal to the greater of the MAG of $42 million or percentage rent. Percentage rent was 45.8 percent of gross receipts up to and including $100 million; 41.8 percent of gross receipts between $100 million and $160 million; and 30 percent of gross receipts greater than $160 million. The original lease provided for suspension of the MAG if the decline in enplanements was greater than 20 percent for three months using the year before the lease commenced as the comparison year, consistent with Airport policy. As noted above, the first amendment to the original lease, approved by the Board of Supervisors, suspended the MAG and reduced percentage rent to 33 percent of gross receipts through Lease Year 1.

Lease Year 1 ended on December 30, 2020. The proposed second amendment only applies to Lease Years 2, 3 and 4. The MAG suspension and temporary reduction in percentage rent is contingent upon the DFS Group's completion of the construction of the Yves Saint Laurent store, two luxury watch stores, and the two flow-through entrances from the security checkpoints directly into the Boarding Areas A and G galleria locations no later than December 31, 2021. If the tenant fails to complete construction by December 31, 2021, the percentage rent reduction will be void and the tenant will have to pay the original percentage rent structure established in the lease retroactive to January 1, 2021. Exhibit 2 below shows the facilities to be constructed by DFS Group.

Exhibit 2. Facilities to be Constructed by DFS Group

Facility	Location
Yves Saint Laurent store	Luxury Space A1
Luxury watch store #1	Luxury Space A1
Luxury watch store #2	Luxury Space G1
Flow-through entrance #1	Duty Free Store A
Flow-through entrance #2	Duty Free Store G

Source: Received from SFO

According to Ms. Cheryl Nashir, Director of Revenue Development and Management with SFO, the estimated dollar value of the construction work being done as part of the lease terms is approximately $5 million for all five construction projects. The details of the renovations are to be determined, and the estimated construction value for each facility was not available.

Suspension and Reinstatement of MAG

Under the proposed amendment, the percentage rent structure remains lowered to 33 percent through the end of December 2023, or until the reinstatement of MAG is triggered through an increase in passenger traffic. The reinstatement of MAG would occur when passenger traffic in the International Terminal goes back to at least 80 percent of what it was before the start of the lease term in 2016 for at least two consecutive months. According to Ms. Nashir, when the first lease amendment was approved, all duty-free locations were closed and had been closed since March. Two stores have opened back up in December 2020, and Ms. Nashir anticipates that several more retail stores may potentially open again in late January 2021.

FISCAL IMPACT

The reduction in percentage rent under the proposed second amendment from 45.8 percent of gross receipts (up to and including $100 million) to 33 percent of gross receipts results in estimated reduced rent to the Airport of $24.3 million, as shown in Table 3 below.

Table 3: Estimated Reduction in Rent Revenues

		Estimated Rent to Airport		
Year	**Estimated Gross Receipts**	**Proposed 2nd Amendment (33% of Gross Receipts)**	**Existing Lease (45.8% of Gross Receipts)**	**Reduction in Rent to Airport**
Lease Year 2 (Jan 2021-Dec 2021)	$39,000,000	$12,900,000	$17,900,000	$5,000,000
Lease Year 3 (Jan 2022-Dec 2022)	67,000,000	22,100,000	30,700,000	8,600,000
Lease Year 4 (Jan 2023-Dec 2023)	84,000,000	27,800,000	38,500,000	10,700,000
Total	**$190,000,000**	**$62,800,000**	**$87,100,000**	**$24,300,000**

Source: Received from SFO

According to Ms. Nashir, the second lease amendment is necessary because the absence of this percentage rent reduction, combined with extremely low passenger traffic, would otherwise result in an estimated $8.3 million loss for DFS Group this year and a $552,000 loss for each of the five joint venture business partners if the tenant had to pay the percentage rent structure otherwise required. The Airport has identified 33 percent of sales as the highest percentage rent that would be possible, given projected sales to date.

POLICY CONSIDERATION

The Airport projects concession revenues of $260 million in FY 2020-21, which is $108 million less than budgeted revenues of $368 million in FY 2019-20.[2] The Airport also makes an Annual Service Payment to the City's General Fund, equal to 15 percent of concession revenues. The projected Annual Service Payment to the City's General Fund for FY 2020-21 is $15.2 million, which is $9.9 million (39.5 percent) below budget. In April 2020, enplanements at SFO decreased by 97 percent compared to the prior year.[3]

RECOMMENDATION

Approve the proposed resolution.

[2] Mayor's 2020-2021 & 2021-2022 Proposed Budget.
[3] Budget Outlook Update (3 Month Report).

Item 8 **File 20-1364**	**Department:** Mayor's Office of Housing & Community Development

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would appropriate $11.4 million from the General Reserve and transfer $5.7 million to the COVID-19 Rent Resolution and Relief Fund and $5.7 million to the Housing Stability Fund.

Key Points

- In November 2020, San Francisco voters approved Proposition I, which increased the transfer tax on high-value property transactions. According to the Controller's FY 2020-21 Three-Month Budget Status Report, this tax is expected to generate $11.4 million in new General Fund revenues net of baseline allocations in FY 2020-21 and these revenues were not included in the FY 2020-21 appropriation ordinance.
- In August 2020, the Board of Supervisors approved a resolution stating the Board's intention to appropriate revenue generated by Proposition I to the COVID-19 Rent Resolution and Relief Fund and the Housing Stability Fund.

Fiscal Impact

- The $11.4 appropriation is the amount of new General Fund revenue expected to be generated by Proposition I in FY 2020-21.

Policy Consideration

- San Francisco is expected to receive $26.2 million in federal rental assistance funding. MOCHD is the City's lead agency for distributing the federal rental assistance and is currently developing implementation procedures to build upon the City's existing COVID-19 emergency rental assistance program.
- The proposed ordinance would provide $5.7 million to the COVID-19 Rent Resolution and Relief Fund to provide grants to landlords who have unpaid rent related to COVID-19. Under the fund's enabling legislation, such grants could cover 50 to 65 percent of unpaid rent but landlords receiving grants must waive all unpaid rent. However, grants funded by the federal rental assistance funding could cover up to 100 percent of unpaid rent, depending on local implementation procedures, which are currently under development by MOHCD. Depending on how the federal funds are distributed, the existence of the federal rental assistance program may reduce incentive for landlords to accept grants funded by the COVID-19 Rent Resolution and Relief Fund.

Recommendation

Because the proposed ordinance is consistent with Board of Supervisors policy and because the incoming federal rental assistance will likely not be sufficient to cover all unpaid residential rent in San Francisco related to COVID-19, we recommend approval of the proposed ordinance.

MANDATE STATEMENT

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

BACKGROUND

Unpaid Residential Rent in San Francisco

In the October 27, 2020 Budget and Legislative Analyst's Office report, "Estimate of unpaid residential rent in San Francisco due to COVID-19 pandemic and related public health orders", we estimated that the unpaid residential rent in San Francisco between April 2020 and September 2020 totaled between $81.3 million and $196.2 million. Given the ongoing above average unemployment rate in the City, the actual amount of unpaid rent from September 2020 to present is likely higher than those estimates. In response to the pandemic, the Board of Supervisors has taken the following actions.

Funds

In November 2020, the Board of Supervisors amended Chapter 10 of the Administrative Code to create two funds: The Housing Stability Fund (File 20-1183) and the COVID-19 Rent Resolution and Relief Fund (File 20-0611).

Dedication of New General Revenues

In November 2020, San Francisco voters approved Proposition I, which increased the transfer tax on high-value property transactions. According to the Controller's FY 2020-21 Three-Month Budget Status Report, this tax is expected to generate $11.4 million in new General Fund revenues net of baseline allocations in FY 2020-21, which were not included in the FY 2020-21 appropriation ordinance. The Controller's Statement on Proposition I in the November 2020 ballot estimates that the tax could generate $196 million per year, on average, but that the revenue would likely be extremely volatile and could generate between $13 million and $346 million annually.

In August 2020, the Board of Supervisors approved a resolution stating the Board's intention to appropriate revenue generated by Proposition I to the COVID-19 Rent Resolution and Relief Fund and a Social Housing Program Fund (File 20-0708).[1]

[1] In File 20-1183, the Housing Stability Fund was originally titled the Social Housing Program Fund.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate $11.4 million from the General Reserve and transfer $5.7 million to the COVID-19 Rent Resolution and Relief Fund and $5.7 million to the Housing Stability Fund.

Monies in the Housing Stability Fund may be used for the acquisition, preservation, and development of affordable housing. The Mayor's Office of Housing and Community Development (MOHCD) has the authority to create rules and regulations for use of monies in the Housing Stability Fund, which are also subject to recommendations from an oversight board.

Monies in the COVID-19 Rent Resolution and Relief Fund may be used to provide grants to landlords who agree to waive unpaid rent related to COVID-19. Such grants may cover up to 50 percent of unpaid rent (and up to 65 percent for landlord with ten or fewer units) up to $3,000 per unit per month. Landlords must waive all unpaid rent for the period covered by the grant.

Existing MOHCD COVID-19 Emergency Rental Assistance Program

In response to the pandemic, the Mayor's Office of Housing and Community Development (MOHCD) has provided $10.2 million in grants to ten existing MOCHD non-profit service providers to distribute emergency rental assistance.[2] In addition, MOHCD provided $10.4 million to non-profit service providers to provide eviction-related legal services (Tenant Right to Counsel Program). Non-profits receiving grants identify and prioritize clients for receiving rental assistance.

Federal Rental Assistance Funding

A bill passed by Congress in December 2020 provided $25 billion for rental assistance, with distributions directly to large counties for distribution to renters and landlords. San Francisco is expected to receive $26.2 million. MOHCD is the City's lead agency for distributing the federal rental assistance and is currently developing implementation procedures to build upon its existing COVID-19 emergency rental assistance program. According to federal guidelines, households receiving assistance must have experienced financial hardship due to COVID-19, be at risk for housing instability, and have income at or below 80 percent of area median income.

FISCAL IMPACT

As noted above, the proposed ordinance will appropriate $11.4 million from the General Reserve and transfer $5.7 million to the COVID-19 Rent Resolution and Relief Fund and $5.7

[2] The ten non-profit providers are Catholic Charities, Collective Impact, Eviction Defense Collaborative, Homies Organizing the Mission to Empower Youth (HOMEY), La Raza Community Resource Center, Mission Neighborhood Centers, Native American Health Center, Q Foundation, Rafiki Coalition for Health & Wellness, and Young Community Developers.

million to the Housing Stability Fund. The $11.4 appropriation is the amount of new General Fund revenue expected to be generated by Proposition I in FY 2020-21.

POLICY CONSIDERATION

The proposed ordinance would provide $5.7 million to the COVID-19 Rent Resolution and Relief Fund to provide grants to landlords who have unpaid rent related to COVID-19. As noted above, such grants could cover 50 to 65 percent of unpaid rent but landlords receiving grants must waive all unpaid rent. However, grants funded by the federal rental assistance funding could cover up to 100 percent of unpaid rent, depending on local implementation procedures, which are currently under development by MOHCD. Depending on how the federal funds are distributed, the existence of the federal rental assistance program may reduce incentive for landlords to accept grants funded by the COVID-19 Rent Resolution and Relief Fund.

Because the proposed ordinance is consistent with Board of Supervisors policy and because the incoming federal rental assistance will likely not be sufficient to cover all unpaid residential rent in San Francisco related to COVID-19, we recommend approval of the proposed ordinance.

RECOMMENDATION

Approve the proposed ordinance.

Item 9 **File 20-1281**	**Department:** Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would (1) approve the second amendment to the agreement between the Regents of the University of California at San Francisco, Division of Substance Abuse Medicine and the DPH for behavioral health narcotic addiction treatment services, to increase the agreement amount by $30,228,053 from $13,998,945 to a total amount not to exceed $44,226,998; and (2) extend the term by six years from July 1, 2021, for a total agreement term of July 1, 2018 through June 30, 2027.

Key Points

- In July 2020, the Board of Supervisors approved the first amendment to the substance abuse treatment service contract between the Department of Public Health (DPH) and the Regents of the University of California at San Francisco (UCSF) Psychiatry Division of Substance Abuse and Addiction Medicine (DSAAM), to increase the not-to-exceed amount by $4,390,850, for a total not to exceed $13,998,945, and to extend the term by one year, from July 1, 2020, for a total agreement term of July 1, 2018, through June 30, 2021 (File 20-0605).
- Under the contract, DSAAM provides Medication-Assisted Treatment (MAT) for opiate addiction through the following three programs: Opiate Treatment Outpatient Program (OTOP), Office-Based Buprenorphine Induction Clinic (OBIC), and Office-Based Opiate Treatment (OBOT). For FY 2018-19, DSAAM's programs were scored 4/4 on performance, deemed to be commendable and exceeding standards.

Fiscal Impact

- The proposed second amendment would increase the not to exceed amount of the contract by $30,228,053, for a total not to exceed $44,226,998.
- According to DPH, the increased contract amount and extension is necessary to allow for the continued provision and payment of existing services, as authorized under the original RFP, at a flat rate through the authorized term. There are no changes in the scope of work or level of services for the proposed contract amendment.

Policy Consideration

- The proposed second amendment would require $2,532,689 in General Fund costs in FY 2020-21, which is included in the Department's FY 2020-21 General Fund appropriation and is unchanged from FY 2019-20 and FY 2021-22. In response to the Mayor's budget reduction instructions for FY 2021-22, DPH states that the Department does not anticipate any reductions will be applied to Substance Abuse Disorder programs because they are critical to the reduction of overdoses. Additionally, all DPH contracts contain a clause that ongoing funding is based on availability, and should the funding be unavailable, the Department is under no obligation to fund at the contracted levels.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

Section 9.118(b) of the City's Charter requires approval by the Board of Supervisors for contracts with an expected term longer than ten years or requiring expenditures of $10 million or more.

BACKGROUND

In July 2020, the Board of Supervisors approved the first amendment to the substance abuse treatment service contract between the Department of Public Health (DPH) and the Regents of the University of California at San Francisco (UCSF) Psychiatry Division of Substance Abuse and Addiction Medicine (DSAAM), to increase the not-to-exceed amount by $4,390,850, for a total not to exceed $13,998,945, and to extend the term by one year, from July 1, 2020, for a total agreement term of July 1, 2018, through June 30, 2021 (File 20-0605).

Vendor Selection

DPH selected DSAAM after issuing a Request for Proposals (RFP) in September 2016 for substance use disorder treatment service providers. DPH received seven proposals, and a selection panel[1] reviewed the proposals and scored them. DSAAM scored 95 points out of a total of 100, the highest score of all proposers. All seven proposers were deemed to meet the minimum qualifications and were awarded contracts. The RFP stated that contracts would have an initial term of five years, from July 2017 through June 2022, with an option to extend for an additional five years through June 2027.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve the second amendment to the agreement between the Regents of the University of California at San Francisco, Division of Substance Abuse Medicine and the DPH for behavioral health narcotic addiction treatment services, to increase the agreement amount by $30,228,053 from $13,998,945 to a total amount not to exceed $44,226,998; and (2) extend the term by six years from July 1, 2021, for a total agreement term of July 1, 2018 through June 30, 2027.

Services Provided

Under the proposed contract amendment, DSAAM will continue to provide Medication-Assisted Treatment (MAT) for opiate addiction through the following three programs:

- Opiate Treatment Outpatient Program (OTOP): Methadone and buprenorphine dosing with individual and group counseling, as well as case management, at San Francisco General Hospital and in the Bayview (with the methadone van).

[1] According to Ms. Jacquie Hale, Contract Manager at the DPH Business Office, the review panel was composed of the Mental Health Services Manager from Solano County Mental Health Services, the Substance Use Disorder Programs Coordinator at DPH Behavioral Health Services, and managers from two local community based behavioral health service providers operating in the Tenderloin and South of Market neighborhoods.

- Office-Based Buprenorphine Induction Clinic (OBIC): Continuing buprenorphine treatment as opiate replacement therapy, stabilizing patients, and then transitioning them to ongoing buprenorphine maintenance integrated with their community-based primary care or mental health care. Also, diagnosis and treatment of co-occurring mental health disorders in patients being seen for buprenorphine treatment.
- Office-Based Opiate Treatment (OBOT): Medication-assisted treatment at the following sites: Tom Waddell, Potrero Hill, Positive Health Program, San Francisco General Hospital and Community Behavioral Health Services Pharmacies, and Opiate Treatment Outpatient Program Ancillary.

Performance Monitoring

DPH issues annual monitoring reports to track service provider performance. For FY 2018-19, the OTOP, and OBOT programs were each scored 4/4, deemed to be commendable and exceeding standards. The OBIC program did not have a stand-alone monitoring report. According to Ms. Michelle Ruggels, DPH Business Office Director, the FY 2018-19 monitoring reports are the most recent available because the FY 2019-20 annual monitoring report cycle is currently underway and not concluded.

FISCAL IMPACT

The proposed second amendment would increase the not to exceed amount of the contract by $30,228,053, for a total not to exceed $44,226,998. According to Ms. Ruggels, the increased contract amount and extension is necessary to allow for the continued provision and payment of existing services, as authorized under the original RFP, at a flat rate through the authorized term. There are no changes in the scope of work or level of services for the proposed contract amendment.

Table 1 below summarizes the sources and uses of the proposed contract spending.

Table 1: Sources and Uses of Funds for Proposed DSAAM Contract Amendment

Sources of Funds	FY 2018-19 (Budget)[2]	FY 2019-20 (Budget)	FY 2020-21 (Budget)	FY 2021-22 (Proposed)	FY 2022-23 (Proposed)	FY 2023-24 (Proposed)	FY 2024-25 (Proposed)	FY 2025-26 (Proposed)	FY 2026-27 (Proposed)	Total
Federal SAPT[3] Discretionary	$1,218,686	-	-	-	-	-	-	-	-	$1,218,686
Federal SABG[4] Discretionary	-	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	128,000
Federal Drug Medi-Cal	1,266,859	1,320,358	1,320,358	1,320,358	1,320,358	1,320,358	1,320,358	1,320,358	1,320,358	11,829,723
State Drug Medi-Cal	682,154	710,961	710,961	710,961	710,961	710,961	710,961	710,961	710,961	6,369,842
General Fund (Local)	1,121,629	2,532,689	2,532,689	2,532,689	2,532,689	2,532,689	2,532,689	2,532,689	2,532,689	21,383,141
Subtotal	***$4,289,328***	***$4,580,008***	***$4,580,008***	***$4,580,008***	***$4,580,008***	***$4,580,008***	***$4,580,008***	***$4,580,008***	***$4,580,008***	***$40,929,392***
Contingency (12%)[5]			549,601	-	549,601	549,601	549,601	549,601	549,601	3,297,606
Total Sources	**$4,289,328**	**$4,580,008**	**$5,129,609**	**$4,580,008**	**$5,129,609**	**$5,129,609**	**$5,129,609**	**$5,129,609**	**$5,129,609**	**$44,226,998**

Uses of Funds	FY 2018-19 (Budget)	FY 2019-20 (Budget)	FY 2020-21 (Budget)	FY 2021-22 (Proposed)	FY 2022-23 (Proposed)	FY 2023-24 (Proposed)	FY 2024-25 (Proposed)	FY 2025-26 (Proposed)	FY 2026-27 (Proposed)	Total
Opiate Treatment Outpatient Program (OTOP)	$1,464,203	$1,741,832	$1,741,832	$1,741,832	$ 1,741,832	$1,741,832	$1,741,832	$1,741,832	$1,741,832	$15,398,859
OTOP Bayview Van	282,130	302,689	302,689	302,689	302,689	302,689	302,689	302,689	302,689	2,703,642
OTOP HIV+	198,943	-	-	-	-	-	-	-	-	$198,943
OBIC[6]	983,060	1,113,552	1,113,552	1,113,552	1,113,552	1,113,552	1,113,552	1,113,552	1,113,552	9,891,476
Office-Based Opiated Treatment (OBOT) Clinics	142,306	18,904	18,904	18,904	18,904	18,904	18,904	18,904	18,904	293,538
OBOT Pharmacies	-	127,671	127,671	127,671	127,671	127,671	127,671	127,671	127,671	1,021,368
OBOT Ancillary Services	1,218,686	1,275,360	1,275,360	1,275,360	1,275,360	1,275,360	1,275,360	1,275,360	1,275,360	11,421,566
Subtotal	***$4,289,328***	***$4,580,008***	***$4,580,008***	***$4,580,008***	***$4,580,008***	***$4,580,008***	***$4,580,008***	***$4,580,008***	***$4,580,008***	***$40,929,392***
Contingency (12%)			549,601	-	549,601	549,601	549,601	549,601	549,601	3,297,606
Total Uses	**$4,289,328**	**$4,580,008**	**$5,129,609**	**$4,580,008**	**$5,129,609**	**$5,129,609**	**$5,129,609**	**$5,129,609**	**$5,129,609**	**$44,226,998**

Sources: Department of Public Health and Appendix B to Proposed Second Modification

[2] Ms. Ruggels states that the FY 2018-19 and FY 2019-20 Cost Reports have not yet been completed, and therefore, the actual expenditures are not available. Ms. Ruggels also states that the department does not propose any changes to the budgeted amounts, pending the completion of the Cost Report to ensure there is sufficient funding available to reimburse the vendor.

[3] Substance Abuse Prevention and Treatment

[4] Substance Abuse Block Grant

[5] Per Health Commission Resolution 14-1, 12% is the standard contract contingency included in SFDPH contracts.

[6] Office-Based Buprenorphine Induction Clinic

POLICY CONSIDERATION

According to the Controller's Office FY 2020-21 Three-Month Budget Status Report dated November 10, 2020, General Fund revenues are estimated to be $115.9 million less than budgeted for FY 2020-21. Revenue projections will be updated mid-year, as part of the Joint Report prepared by the Controller, Mayor's Office of Public Policy and Finance, and our Office, which will also project revenues and expenditures for subsequent fiscal years. In a presentation to the Budget & Appropriations Committee on November 19, 2020, the Mayor's Acting Budget Director stated that the Mayor has requested departments to prepare proposals to reduce spending in order to accommodate the projected decrease in General Fund revenues. The Mayor's plan to rebalance the FY 2020-21 budget is expected to be finalized in January. In addition, in December 2020, the Mayor requested mandatory departmental reduction proposals for FY 2021-22 of 7.5 percent in adjusted General Fund support, with an additional 2.5 percent contingency should fiscal conditions worsen.

As shown in Table 1 above, the proposed contract amendment would require $2,532,689 in General Fund costs in FY 2020-21, which is included in the Department's FY 2020-21 General Fund appropriation and is unchanged from FY 2019-20 and FY 2021-22. In response to the Mayor's budget reduction instructions, Ms. Ruggels states that DPH does not anticipate any reductions will be applied to Substance Abuse Disorder programs because they are critical to the reduction of overdoses. Additionally, all DPH contracts contain a clause that ongoing funding is based on availability, and should the funding be unavailable, the department is under no obligation to fund at the contracted levels.

RECOMMENDATION

Approve the proposed resolution.

Item 10 **File 20-1394**	**Department:** Department of Children, Youth and their Families (DCYF), Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would retroactively approve a lease amendment between SFII 1390 Market St, LLC as landlord and the City as tenant for space occupied by the Department of Children, Youth and their Families (DCYF) at 1390 Market Street (Fox Plaza), with initial annual base rent of $704,990 and annual three percent increases, extending the lease term by five years, from December 2020 through November 2025, subject to early termination by the City, and authorize the Director of Property to execute documents, make certain modifications, and take certain actions in furtherance of the lease.

Key Points

- DCYF has occupied office space at 1390 Market Street since 2005. The original lease was for five years with two 5-year options to extend. The Board of Supervisors approved the two options in 2010 and 2015. DCYF currently occupies 10,846 square feet at an annual rental rate of $618,222 ($57 per square foot). The lease expired on November 30, 2020.
- The Real Estate Division (RED) has negotiated a lease amendment with the Landlord, extending the lease by five years through November 2025, with annual base rent of $704,990 ($65 per square foot) and three percent annual increases. The Landlord would provide five months of rent abatement over the first two years of the extension, creating an effective base rent of $51.46 in Year 1 and $53 per square foot in Year 2. The City could terminate the lease after two years, but would have to pay a Concession Adjustment of $117,973 to the Landlord. The Landlord also would provide an Alterations Allowance of up to $162,690 for tenant improvements. The City could credit any unused Alterations Allowance as a payment to the Concession Adjustment or as a rent credit.

Fiscal Impact

- Over the five-year term of the lease extension, the City would pay $3,444,736 in total rent. If the City terminates after two years, it will pay $1,250,951 in total rent, including the Concession Adjustment. However, if the City does not perform any tenant improvements, it could credit the $162,690 Alterations Allowance towards base rent or the Concession Adjustment.

Recommendations

- Amend the proposed resolution to request that the Real Estate Division report back through a memorandum to the Board of Supervisors and Budget and Legislative Analyst no later than December 31, 2021 on the fiscal feasibility of moving the City tenants in Fox Plaza to City-owned office space to allow for early termination of the proposed lease.
- Approve the proposed resolution, as amended.

MANDATE STATEMENT

City Administrative Code 23.27 states that any lease with a term of one year or longer and where the City is the tenant is subject to Board of Supervisors approval by resolution. A third-party appraisal is required for leases in which the rent exceeds $45 per square foot per year, and an appraisal review is required for leases in which the rent exceeds $60 per square foot.

BACKGROUND

In December 2005, the Board of Supervisors approved a lease at 1390 Market Street (Fox Plaza), Suites 900, 902, and 903, comprising 9,397 square feet, to provide office space for the Department of Children, Youth and their Families (DCYF) (File 05-1810). The lease had an initial term of five years, from December 2005 through November 2010, with two 5-year options to extend, and initial annual rent of $243,852 ($25.95 per square foot).

In 2007, DCYF began leasing Suite 906, comprising 1,449 square feet, on a month-to-month basis, with annual rent of $52,164 ($36 per square foot). In 2009, the Landlord reduced the annual rent for Suite 906 to $43,470 ($30 per square foot) to reflect fair market value.

In May 2010, the Board of Supervisors approved the first five-year option to extend the lease of Suites 900, 902, and 903 through November 2015, with initial annual rent of $230,227 ($24.50 per square foot), and annual increases of $1 per square foot (File 10-0349).

In May 2015, the Board of Supervisors approved the second five-year option to extend the lease through November 2020, incorporating Suite 906 into the lease for a total of 10,846 square feet, with initial annual rent of $574,838 ($53 per square foot), with two months of rent abated, and annual increases of $1 per square foot (File 15-0342). The lease has continued on a holdover basis since December 2020.

The Real Estate Division (RED) has negotiated a lease amendment with the Landlord, extending DCYF's lease of the premises for five years, through November 2025.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve a lease amendment between SFII 1390 Market St, LLC as landlord and DCYF as tenant, extending the term five years from December 2020 through November 2025, with initial annual base rent of $704,990 ($65 per square foot) and three percent annual increases. The proposed rent is consistent with the appraisal, conducted by Colliers International and the appraisal review conducted by Clifford Advisory, LLC, on behalf of the Real Estate Division.

Under the proposed lease amendment, the Landlord would provide 2.5 months of rent abatement in each of the first two years of the lease, for a total value of $298,152, creating an effective annual base rent of $51.46 per square foot in Year 1 and $53 per square foot in Year 2.

The City could terminate the lease after two years, for an expiration date of November 30, 2022, by providing written notice by February 28, 2022. However, if the City exercises this termination option, the City will have to pay a Concession Adjustment of $117,973 to the Landlord.

The Landlord would also provide an Alterations Allowance of up to $162,690 for tenant improvements ($15 per square foot of the premises) during the first two years of the lease extension. The City could credit any unused Alterations Allowance as a payment to the Concession Adjustment or as a rent credit. Key terms of the lease amendment are shown in Table 1 below.

Table 1: Key Terms of Proposed Lease Amendment

Premises	Suite 900 and 902	8,179 sq. ft.
	Suite 903	1,218 sq. ft.
	Suite 906	1,449 sq. ft.
	Total	10,846 sq. ft.
Term	5 years from 12/1/2020 – 11/30/2025	
Extension Options	None	
Annual Base Rent	Annually $704,990 ($65 per square foot)	
Rent Adjustments	3% annual increase	
Rent Abatement	2 ½ months abated in each of first 2 years	
Early Termination	City may terminate after 2 years with $117,973 Concession Adjustment	
Alterations Allowance	$162,960, which may be credited towards rent or Concession Adjustment if unused	
Utilities and Building Services	Paid by Landlord	

According to Mr. Joshua Keene, Real Estate Division Special Projects and Transactions Manager, the Real Estate Division is seeking retroactive approval to avoid holdover status for the existing lease, which expired November 30, 2020. Under original lease, rent on the existing lease would increase 25 percent during the holdover period, from $57 to $71.25 per square foot annually. Approval of the proposed lease amendment would save the City $214,661 in rent payments over the first year compared to holding over, or approximately $17,888 per month.

FISCAL IMPACT

Over the five-year term of the lease, the City would pay $3,444,736 in total rent. Annual rent payments are shown in Table 2 below.

Table 2: Annual Rent Payments by City

Year	$ per Square Foot	Annual Base Rent	Rent Abatement	Total Rent Paid
Year 1	$65.00	$704,990	$146,873	$558,117
Year 2	66.95	726,140	151,279	574,861
Year 3	68.96	747,924	-	747,924
Year 4	71.03	770,362	-	770,362
Year 5	73.16	793,472	-	793,472
Total				**$3,444,736**

If the City exercises the option to terminate after two years, it will pay a Concession Adjustment of $117,973 in addition to the two-year rent of $1,132,978, for a total cost of $1,250,951. However, if the City does not perform any tenant improvements, it could use the Alterations

Allowance as a rent credit or payment towards the Concession Adjustment. This would reduce the City's total rent payment over two years to $1,088,261, or an effective annual rental rate of $50.17 per square foot during the first two years of the lease. If the City does not terminate the lease early and does not complete any tenant improvements, the Alterations Adjustment would reduce the City's total rent to $3,281,776.

According to the proposed resolution, the proposed lease will be paid for by Children's Baseline funds.

POLICY CONSIDERATION

Other City Tenants at Fox Plaza

The City has maintained leases at Fox Plaza for four City Departments: (1) DCYF, (2) City Attorney, (3) First Five, and (4) Public Health. The Public Health lease was terminated early in 2020 and tenants were relocated to 49 South Van Ness, a City-owned building. Similarly, in 2020, the City did not renew its lease for First Five and those tenants are in the process of being relocated to 1650 Mission, a City-owned building. The City's remaining lease for the City Attorney expires at the end of December 2022, which is one month after the proposed lease for DCYF would terminate if the City terminated the proposed lease early.

RECOMMENDATIONS

1. Amend the proposed resolution to request that the Real Estate Division report back through a memorandum to the Board of Supervisors and Budget and Legislative Analyst no later than December 31, 2021 on the fiscal feasibility of moving the City tenants in Fox Plaza to City-owned office space to allow for early termination of the proposed lease.
2. Approve the proposed resolution, as amended.

Items 14 and 15 **Files 20-0027 and 20-0034**	**Department:** Municipal Transportation Agency (MTA)

EXECUTIVE SUMMARY

Legislative Objectives

File 20-0027: The proposed ordinance would appropriate $287,000,000 of the Series 2021C revenue bond proceeds to the MTA in FY2020-21 to finance capital improvements.

File 20-0034: The proposed resolution would provide for the issuance of not-to-exceed $300,000,000 aggregate principal amount on a tax-exempt or taxable basis of revenue bonds by the Municipal Transportation Agency (MTA) and approve related financing documents.

Key Points

- MTA has currently issued five series of revenue bonds in 2012, 2013, 2014 and 2017 with an original par value of $387,670,000, and an outstanding par value of $323,075,000.
- MTA projects to be funded through the proposed $287,000,000 bond program include: (1) 1200 15th Street Renovation; (2) Train Control System Upgrade; (3) Parking Meter Replacement; (4) Transit Optimization; and (5) Light Rail Vehicle Replacement and Expansion Procurement.

Fiscal Impact

- MTA anticipates issuing $287,000,000 in fixed rate, tax exempt revenue bonds for a 30-year term with a true interest cost of approximately 2.38 percent. According to good faith estimates from MTA's Municipal Advisor Backstrom, McCarley Berry & Co, estimated total debt service over 30 years would be approximately $443.5 million, of which $188.5 million is interest and $256.8 million is principal.
- MTA will repay the bonds from MTA pledged revenues, which totaled approximately $764,755,363 in FY 2019-20 and are projected to decrease by $70,607,946 to $694,147,417 in FY 2020-21.

Policy Consideration

- As of January 21, 2021, MTA's revenue bonds maintain a S&P Global credit rating of "AA-", which was downgraded from an "AA" rating in November 2020. MTA's revenue bonds also maintain a Moody's investment grade rating of "Aa2", which has not changed. Both ratings denote that MTA's credit is high-quality investment grade, which signals low risk for investors, according to the respective credit rating agencies.
- Projects were selected by the following criteria: 1) essentiality to the transportation system, and 2) ability to swap existing funds allocated to the projects to the MTA's operating budget to support essential services and mitigate potential staffing reductions. MTA states that the latest review of all Five-Year Capital Improvement Plan revenue sources indicates losses of up to $92 million in FY 2021 and FY 2022, and $202 million over the five years from FY 2021 to FY 2025, compared to the Five-Year CIP approved by the MTA Board of Directors on April 21, 2020. The proposed bonds are intended to assist in covering that projected shortfall.

Recommendation

Approve the proposed resolution (File 20-0034) and the proposed ordinance (File 20-0027).

MANDATE STATEMENT

Charter Section 8A.102(b)(13) authorizes the San Francisco Municipal Transportation Agency (MTA) to incur debt and issue bonds, notes, certificates of indebtedness, commercial paper, financing leases, certificates of participation and other debt instruments without further voter approval, subject to Board of Supervisors approval. Charter Section 8A.102(b)(13) requires that (1) the Controller must first certify that MTA has sufficient unencumbered fund balances available in the appropriate fund to meet all payments on debt obligations as they become due; and (2) any debt obligation, if secured, is secured by revenues or assets under the jurisdiction of the MTA.

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

BACKGROUND

In 2007, San Francisco voters approved Proposition A, authorizing MTA to issue revenue bonds and other forms of indebtedness to finance transit, parking and other capital improvement projects, subject to Board of Supervisors' approval.

MTA has currently issued five series of revenue bonds in 2012, 2013, 2014 and 2017 with an original par value of $387,670,000, and an outstanding par value of $323,075,000. The proceeds of the revenue bonds were used to refinance debt and finance transportation capital projects. According to Mr. Samuel Thomas, MTA Manager of Analysis and Controls Office, since each issuance, the agency has made annual debt service payments on these bonds. As shown in Table 1 below, MTA currently has $323,075,000 of outstanding revenue bonds, with existing debt extending to 2047.[1]

Table 1. Outstanding MTA Debt

Bond Series Issuance	Outstanding Debt	Final Maturity of Bonds
Series 2012A	$11,690,000	3/1/2032
Series 2012B	25,835,000	3/1/2042
Series 2013	56,190,000	3/1/2033
Series 2014	62,495,000	3/1/2044
Series 2017	166,865,000	3/1/2047
Total	**$323,075,000**	

Source: Municipal Transportation Agency

[1] Legislation is pending before the Board of Supervisors to refund the outstanding balance of Series 2012A, 2012B, 2013, and 2014 for estimated debt service savings of $22.5 million (File 20-1397).

On December 15, 2020, the MTA Board of Directors approved the issuance of not to exceed $300,000,000 aggregate principal amount of new money revenue bonds to provide funds for MTA purposes. The proposed bond sale of up to $287,000,000 is expected to occur in March 2021 upon Board of Supervisors approval of the bond issuance (File 20-0034). The projects to be funded through the proposed $287,000,000 bond program include: (1) 1200 15th Street Renovation[2]; (2) Train Control System Upgrade[3]; (3) Parking Meter Replacement[4]; (4) Transit Optimization[5]; and (5) Light Rail Vehicle Replacement and Expansion Procurement[6]. Specific project activities to be funded through the proposed bond sale of $287,000,000 include the following:

- **1200 15th Street Renovation:** preliminary engineering, detailed design, and construction;
- **Train Control System Upgrade:** preliminary engineering, detailed design, and construction;
- **Parking Meter Replacement:** construction;
- **Transit Optimization:** construction; and
- **Light Rail Vehicle Replacement and Expansion Procurement:** vehicle purchases.

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[2] Renovation of this facility will house MTA's Parking Control Officers (PCOs). According to MTA, the existing PCO facility at 505 7th Street is outdated and will not accommodate additional staff members that the agency is planning to hire. The lease on the existing facility expires in September 2023 and the MTA's goal is to complete construction of 1200 15th Street to move staff and operations by this time. MTA obtained 1200 15th Street through a jurisdictional transfer with Animal Care and Control (ACC). The facility is currently unoccupied as it is not yet fit for occupation and use by staff. Although MTA's capital plan considers rebuilding the existing structure at 1200 15th Street as a mixed-use development, consolidating parking enforcement operations on the first two floors and adding a mix of affordable and market rate housing on the upper floor, mixed use affordable housing is not yet confirmed for the site. Preliminary engineering work began in January and construction is expected to be complete in November 2025.

[3] According to Mr. Thomas, MTA's current Automatic Train Control System (ATCS) is aging and frequently responsible for Muni Metro subway slowdowns. This project includes the design and procurement of a next-generation communications-based train control (CBTC) system for the rail network, including both surface and subway alignments to bring the train control system into a state of good repair and enable the expansion of rail service. Preliminary engineering work is expected to begin in February 2021 and construction is expected to be complete in September 2028.

[4] This includes funding a portion of the replacement costs associated with the City's 29,000+ parking meters with updated equipment based on end-of-life issues and the use of current wireless technology. According to MTA, the current meters have reached their useful lifespan and the current cellular technology used will soon be obsolete as the industry moves to 5G technology. Construction is expected to begin in January 2022 and be complete by the end of that year.

[5] This includes constructing a package of transit, streetscape, and pedestrian safety improvements along a two-mile corridor of Van Ness Avenue. Key features include conversion of two mixed-flow traffic lanes into dedicated bus lanes, consolidated transit stops, high quality stations, transit signal priority, and pedestrian safety enhancements.

[6] This includes funding a portion of the procurement of 151 replacement Light Rail Vehicles (LRV) and 68 additional LRVs to expand the fleet to 219 trains. Previous generation LRV2 and LRV3 trains, manufactured by Breda, are nearing the end of their useful lives. The expanded fleet of LRV4s is manufactured in California by Siemens. These new trains will include transit service for the Central Subway and expanded service citywide. Procurement has been ongoing since July 2014 and is expected to be complete in February 2026.

According to Mr. Thomas, the not to exceed bond authorization of $300,000,000 of the proposed resolution is higher than the appropriation amount of $287,000,000 because when the MTA Board of Directors approved the new money revenue bonds on December 15, 2020, the Agency did not yet know which projects it would fund. While Covid-related losses were known, the capital budget and Five-Year Capital Improvement Plan required additional analysis to determine which projects would require funding. At the December 15, 2020 MTA Board meeting, the Directors approved a resolution authorizing the not to exceed bond authorization amount of $300,000,000[7], with the condition that the Agency return to the MTA Board of Directors prior to issuance to approve the list of projects in specific amounts that will be funded by the proceeds. Mr. Thomas states that MTA subsequently determined that $287,000,000 was the true funding need. At the January 19, 2020 MTA Board meeting, the Directors approved a resolution recommending that the Board of Supervisors appropriate up to $287,000,000 of the new revenue bonds proceeds for the following MTA projects: $118,000,000 for Transportation Infrastructure (1200 15th Street Renovation, Trail Control System Upgrade, Parking Meter Replacement, and Transit Optimization) and $137,000,000 for Transportation Equipment (Light Rail Vehicle Replacement and Expansion Procurement) and $31,500,000 for reserve funds and costs of issuance.

DETAILS OF PROPOSED LEGISLATION

File 20-0034: The proposed resolution would:

1. Provide for the issuance of not-to-exceed $300,000,000 aggregate principal amount on a tax-exempt or taxable basis of revenue bonds by the Municipal Transportation Agency (MTA) to provide funds to finance capital improvements;
2. Authorize the issuance and sale of the bonds;
3. Approve the form of certain financing documents including a bond purchase contract, the sixth supplement to indenture of trust, one or more escrow agreements, and a continuing disclosure certificate;
4. Authorize the taking of appropriate actions in connection therewith; and related matters approving the forms of documents;
5. Set a maximum interest rate of 12 percent per year on the bonds;
6. Adopt finding that the authorization and issuance of revenue bonds by the agency is not a project under the California Environmental Quality Act (CEQA), CEQA Guidelines, and San Francisco Administrative Code, Chapter 31.

[7] According to Mr. Thomas, the MTA Board of Directors believed that quick action to support the Agency's financial position was required, and a rough order of magnitude calculation yielded a $300,000,000 estimate.

File 20-0027: The proposed ordinance would appropriate $287,000,000 of the Series 2021C revenue bond proceeds to the MTA in FY2020-21 to finance capital improvements. The $287,000,000 appropriation would be placed on Controller's Reserve pending sale of the bonds.

Table 2 below outlines anticipated sources and uses for the Series 2021C bonds.

Table 2: Sources and Uses of Series 2021C Bond Proceeds

Sources	
Par Amount	$256,790,000
Premium[8]	30,210,000
Total Sources	**$287,000,000**
Uses	
Administrative Costs and Reserves	
Costs of Issuance	$700,000
Controller's Audit Fund	510,000
Underwriter's Discount	600,000
Debt Service Fund[9]	22,500,000
Reserve for Market Uncertainty[10]	7,690,000
Administrative Costs and Reserves Subtotal	*$32,000,000*
Project Costs	
1200 15th Street Renovation	$20,000,000
Train Control System Upgrade	41,000,000
Parking Meter Replacement	22,000,000
Transit Optimization	35,000,000
Light Rail Vehicle Replacement	137,000,000
Project Costs Subtotal	*$255,000,000*
Total Uses	**$287,000,000**

Source: Municipal Transportation Agency

MTA anticipates one issuance of revenue bonds. Table 3 below shows the specific project activities to be funded by the proposed Series 2021C revenue bonds.

[8] The premium is the amount that investors would be willing to pay more than the face value of the bonds.

[9] Cash assets designated by the MTA to ensure full and timely payments to bond holders during the project construction period.

[10] A reserve to provide room in the total appropriation amount for fluctuations in the market, which is standard practice in bonds issuances.

Table 3: Series 2021C Revenue Bonds Funds Allocation

Projects	Expenditures (Pre-Bond)	Bond Funds (Series 2021C)	Future Expenditures	Total Project Costs
1200 15th Street Renovation	**$1,170,481**	**$20,000,000**	**$12,929,519**	**$34,100,000**
Planning	440,000	0	0	
Preliminary Engineering	730,481	1,069,519	0	
Detailed Design	0	2,976,827	2,033,173	
Construction	0	15,953,654	10,896,346	
Train Control System Upgrade	**12,440,000**	**41,000,000**	**153,780,000**	**207,220,000**
Planning	12,440,000	0	0	
Preliminary Engineering	0	6,662,132	24,987,868	
Detailed Design	0	7,272,564	27,277,436	
Construction	0	27,065,304	101,514,696	
Parking Meter Replacement	**0**	**22,000,000**	**0**	**22,000,000**
Construction	0	22,000,000	0	
Transit Optimization	**182,390,000**	**35,000,000**	**0**	**217,390,000**
Planning	7,600,000	0	0	
Preliminary Engineering	8,690,000	0	0	
Detailed Design	14,730,000	0	0	
Construction	151,370,000	35,000,000	0	
Light Rail Vehicle Replacement & Expansion	**603,321,460**	**137,000,000**	**373,058,540**	**1,113,380,000**
Vehicle Purchases	603,321,460	137,000,000	373,058,540	
Project Total	***$799,321,941***	***$255,000,000***	***$539,768,059***	**$1,594,090,000**

Source: Municipal Transportation Agency

Total estimated costs for these five projects are approximately $1.6 billion, including $255 million in proposed Series 2021C bond proceeds. According to Mr. Thomas, remaining project expenditures of approximately $539.8 million will be funded by a combination of sources through the MTA's FY 2021-25 Five-Year Capital Improvement Program (CIP).

Capital Planning Committee Approval

The Capital Planning Committee approved the issuance of the associated tax-exempt revenue bonds in an amount not to exceed $300,000,000 to fund these MTA capital projects on January 11, 2021.

MTA Bond Oversight Committee

In 2011, the MTA Board of Directors established the MTA Bond Oversight Committee, comprised of seven members, to oversee the spending of bond proceeds and inform the MTA Board of Directors and the public on the status of the projects funded by debt. The MTA Bond Oversight Committee has issued annual reports from FY 2012-13 through FY 2018-19. The first Series 2021C Revenue Bond Report will be provided to the Bond Oversight Committee after the first full quarter subsequent to the issuance of the proposed Series 2021C bonds.

California Environmental Quality Act (CEQA)

The proposed resolution notes that issuance of MTA revenue bonds is a financing mechanism which is not subject to CEQA, and that MTA will not proceed with any project until it is fully compliant with CEQA.

FISCAL IMPACT

Annual Debt Service

MTA anticipates issuing $287,000,000 in fixed rate, tax exempt revenue bonds for a 30-year term with a true interest cost of approximately 2.38 percent. According to good faith estimates[11] from MTA's Municipal Advisor Backstrom, McCarley Berry & Co, estimated total debt service over 30 years would be approximately $443.5 million, of which $188.5 million is interest and $256.8 million is principal[12].

Average annual debt service over the 30-year term of the proposed Series 2021C bonds is $14.8 million.[13] However, actual annual debt service on the proposed 2021C bonds would vary because, according to Mr. Thomas, the proposed Series 2021C bonds would be structured to allow level debt service payments (e.g., the same amount every year) when the debt service for the proposed new money bonds are combined with existing debt service on the outstanding Series 2017 revenue bonds and proposed Series 2021A and 2021B refunding bonds (File 20-1397 pending before the Board of Supervisors and discussed in the footnote above). As shown in Appendix I, MTA's annual debt service payments for all outstanding bonds would be approximately $24.1 million in FY 2021-22, increasing to $31.3 million in FY 2024-25.

Negotiated Sale of Bonds

Mr. Thomas states that the bonds will be sold through a negotiated process led by underwriters.[14] According to Mr. Thomas, the impact of the Covid-19 pandemic on transportation has reduced demand for transportation sector bonds, and a competitive sale could result in higher interest rates for the MTA and a higher underwriter's discount to compensate for greater market risk and lack of opportunity for investors to review MTA's financial condition. According to Mr. Thomas, market benchmarks will be utilized to ensure the total interest cost to the City is the lowest achievable levels based on market conditions at the time of pricing.

Pledged Revenues

MTA will repay the bonds from MTA pledged revenues, which totaled approximately $764,755,363 in FY 2019-20 and are projected to decrease by $70,607,946 to $694,147,417 in FY 2020-21, as summarized in Table 4 below.

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[11] Based on estimates of market conditions as of January 6, 2021.

[12] The estimated principal of $256.8 million equals bond proceeds nets of the bond premium, shown in Table 2 above.

[13] $14.8 million is equal to $443.5 million total debt service divided by 30 annual debt service payments.

[14] The underwriters for this transaction are RBC Capital Markets, Goldman Sachs & Co., and Siebert Williams Shank & Co.

Table 4. MTA's Gross Pledged Revenues (Projections as of December 9, 2020)

Revenue Sources	FY 2018-19 (Actuals)	FY 2019-20 (Actuals)	FY 2020-21 (Projected)	FY 2021-22 (Projected)
Passenger Fares (fixed route and paratransit)	$197,109,784	$154,100,412	$34,034,615	$75,239,435
Traffic Fines, Fees, Permits and Taxi	151,066,069	116,027,827	100,931,426	140,012,409
Parking Meters	61,264,074	43,912,682	36,529,707	65,797,685
Parking Garages	72,412,231	56,049,361	35,438,669	56,157,045
Other (includes rent, advertising and interest)	50,477,804	39,888,998	29,549,796	39,017,316
AB 1107[15]	46,776,462	44,485,548	42,098,816	46,045,733
State Transit Assistance (STA)	64,726,627	61,227,565	46,270,753	54,069,446
Transportation Development Act (TDA)	46,162,703	49,434,104	41,063,438	47,362,317
Federal Pandemic Support (CARES Act)	0	199,628,866	176,583,108	0
Federal Pandemic Support (December 2020)	0	0	144,263,140	85,736,860
TNC Congestion Mitigation Tax	0	0	7,383,949	8,880,959
Total	**$689,995,754**	**$764,755,363**	**$694,147,417**	**$618,319,205**

Source: Municipal Transportation Agency

MTA does not include General Fund Baseline Transfer, General Fund Transfer In lieu of Parking Tax or restricted grant funds in the revenues pledged to repay these bonds. According to the official statement for the revenue bonds, MTA is not obligated to pay principal or interest on the bonds from any source of funds other than pledged revenues, such that the City's General Fund is not liable for payment of the principal or interest on the subject bonds.

Debt Service as a Percent of Operating Expenses

MTA implemented and updated debt policies in 2011 and 2013 which established MTA's process, guidelines, restrictions, and financial criteria for issuing debt to fund capital projects. According to MTA's debt policy, aggregate annual debt service on long-term debt should not exceed 5 percent of MTA's annual operating expenses. According to projections provided by MTA, the combined annual debt service of the Series 2017, refunding bonds (Series 2021A and 2021B), and proposed revenue bonds (Series 2021C) will not exceed 2.6 percent of MTA's annual operating budget over the 30-year term of the revenue bonds.

[15] This is the half-cent sales tax collected in Alameda, Contra Costa and San Francisco counties. The state government allocates 75 percent of these funds to BART and the remaining 25 percent to the Metropolitan Transportation Commission, which allocates its share of the funds evenly between the San Francisco MTA and AC Transit.

Appropriation Ordinance

As previously mentioned, Board of Supervisors' approval is required to issue revenue bonds and expend the proceeds. Once Board approval is granted, MTA has the authority to reallocate funds within the Five-Year Capital Improvement Program in accordance with defined policies and procedures. Transfers of MTA capital funds are within the administrative authority of the Budget, Financial Planning and Analysis Section of MTA's Finance and Information Technology Division. Allowable transfers are as follows: (1) From Project "A" to Project "B" if: (a) Project A is complete and has savings; or (b) Project A has not been completed and a new revised funding plan has been approved by the Transportation Capital Committee that confirms project savings at completion, and (2) Between funding sources within a project if the total project budget remains the same.

POLICY CONSIDERATION

New Bond Issuance

Despite the severe impact of the Covid-19 health crisis on revenues supporting MTA's operating budget, Mr. Thomas states that current market conditions are favorable for debt issuance due to historically low interest rates. Mr. Thomas states that annual debt service is not currently projected to exceed 2.6 percent of the Agency's annual operating budget per MTA's debt policy; therefore, the Agency's historical and projected pledged revenues should remain at levels that would allow MTA to support the proposed issuance of new revenue bonds. As of January 21, 2021, MTA's revenue bonds maintain a S&P Global credit rating of "AA-", which was downgraded from an "AA" rating in November 2020. MTA's revenue bonds also maintain a Moody's investment grade rating of "Aa2", which has not changed. Both ratings denote that MTA's credit is high-quality investment grade, which signals low risk for investors, according to the respective credit rating agencies.

Project Selection

According to Mr. Thomas, the projects to be funded by bond proceeds were selected by the following criteria: 1) essentiality to the transportation system, and 2) ability to swap existing funds allocated to the projects to the MTA's operating budget to support essential services and mitigate potential staffing reductions. Mr. Thomas states that the new revenue bonds are needed to ensure that MTA's transit system is operating in a state of good repair. Without replacement dollars from the new revenue bonds, Mr. Thomas states that MTA will fall further behind on its $3.2 billion state-of-good repair backlog, negatively impacting transit reliability, travel times, and MTA's ability to manage the transportation system. According to Mr. Thomas, remaining project expenditures will be funded by a combination of sources through the MTA's FY 2021-25 Five-Year CIP.

Backfilling Capital Revenues with Operating Revenues

The proposed revenue bonds were not included as a funding source in the Five-Year CIP for FY 2021 – FY 2025. Mr. Thomas states that new revenue bonds are needed to aid in maintaining the integrity of the MTA's Five-Year CIP given current and potential revenue losses precipitated by the Covid-19 pandemic and will serve as a bridge to support transit and other essential transportation services. Mr. Thomas states that the latest review of all Five-Year CIP revenue sources indicates losses of up to $92 million in FY 2021 and FY 2022, and $202 million over the five years from FY 2021 to FY 2025, compared to the Five-Year CIP approved by the MTA Board of Directors on April 21, 2020. The proposed bonds are intended to assist in covering that projected shortfall.

By issuing new revenue bonds, MTA is pledging revenues that could be used for operations to instead pay for the capital projects funded by the bonds. As noted above, MTA determined that these projects were essential to the transportation system, and/or that use of bond proceeds for these projects would free up operating funds that would otherwise be allocated to the projects.

RECOMMENDATION

Approve the proposed resolution (File 20-0034) and the proposed ordinance (File 20-0027).

Appendix: Annual Debt Service, Series 2017 Bonds, Series 2021A and 2021B Refunding Bonds, and Series 2021C New Money Bonds

	A	B	C	D	E
Fiscal Year	**Current Debt Service (Excluding Refunding)**	**Debt Service with Refunding Series 2017, 2021A and 2021B**	**Proposed New Money Debt Service Series 2021C**	**Total Adjusted Debt Service Assuming Refunding (B+C=D)**	**Adjusted Debt Service Compared to Current Debt Service (D-A=E)**
2021	23,517,131	13,885,709		13,885,709	(9,631,422)
2022	23,521,031	13,717,747	7,703,700	21,421,447	(2,099,584)
2023	23,337,781	20,579,706	7,703,700	28,283,406	4,945,625
2024	23,335,531	23,330,556	7,703,700	31,034,256	7,698,725
2025	23,338,781	23,334,832	7,993,700	31,328,532	7,989,751
2026	23,333,831	23,329,618	8,000,000	31,329,618	7,995,787
2027	23,337,081	23,333,652	7,995,850	31,329,502	7,992,421
2028	23,336,844	23,332,900	7,996,550	31,329,450	7,992,606
2029	23,336,831	23,334,106	7,991,950	31,326,056	7,989,225
2030	23,334,194	23,327,705	8,002,200	31,329,905	7,995,711
2031	23,336,344	23,335,491	7,991,850	31,327,341	7,990,997
2032	23,334,013	23,332,055	7,996,500	31,328,555	7,994,543
2033	23,335,738	23,334,941	7,990,700	31,325,641	7,989,904
2034	17,361,988	17,361,566	13,964,750	31,326,316	13,964,329
2035	17,356,988	17,352,758	13,974,250	31,327,008	13,970,021
2036	17,361,188	17,360,162	13,967,750	31,327,912	13,966,725
2037	17,358,438	17,358,240	13,970,550	31,328,790	13,970,353
2038	17,358,525	17,353,503	13,972,200	31,325,703	13,967,178
2039	17,358,713	17,356,830	13,972,550	31,329,380	13,970,668
2040	17,354,463	17,354,000	13,971,450	31,325,450	13,970,988
2041	17,350,575	17,350,313	13,978,750	31,329,063	13,978,488
2042	17,361,575	17,360,898	13,964,000	31,324,898	13,963,323
2043	14,559,175	14,558,030	16,767,650	31,325,680	16,766,505
2044	14,557,725	14,556,510	16,769,950	31,326,460	16,768,735
2045	10,052,825	10,052,825	21,272,200	31,325,025	21,272,200
2046	10,053,625	10,053,625	21,274,100	31,327,725	21,274,100
2047	10,055,025	10,055,025	21,271,300	31,326,325	21,271,300
2048			31,328,500	31,328,500	31,328,500
2049			31,328,450	31,328,450	31,328,450
2050			31,328,350	31,328,350	31,328,350
2051			31,327,450	31,327,450	31,327,450
Total	**519,235,956**	**496,993,303**	**443,474,600**	**940,467,903**	**421,231,947**

Source: Municipal Transportation Agency