


**CITY AND COUNTY OF SAN FRANCISCO**

**BOARD OF SUPERVISORS**

**BUDGET AND LEGISLATIVE ANALYST**

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May 3, 2024

**TO:** Budget and Finance Committee  
**FROM:** Budget and Legislative Analyst   
**SUBJECT:** May 8, 2024 Budget and Finance Committee Meeting

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<p><b>Item 1</b> <b>File 24-0340</b></p>	<p><b>Department:</b> Department of Homelessness and Supportive Housing (HSH)</p>
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**EXECUTIVE SUMMARY**

**Legislative Objectives**

- The proposed resolution would approve the Second Amendment to the Department of Homelessness and Supportive Housing’s (HSH) grant agreement with Hamilton Families for family rapid re-housing services through the Housing Solutions program, extending the term by six years through June 2030, and increasing the not-to-exceed amount by \$12,306,778, for a total not to exceed \$21,903,359, and authorizing HSH to make further immaterial amendments to the grant agreement.

**Key Points**

- In 2019, HSH issued a Request for Qualifications (RFQ) to qualify providers for federal Emergency Solutions Grant (ESG) funding for homelessness prevention, rapid rehousing, and emergency shelter services. Hamilton Families, which had provided similar services since at least 2016, was deemed the highest-scoring proposer and awarded a grant. Due to the ongoing need for the program and satisfaction with Hamilton Families’ performance, HSH and Hamilton Families have agreed to extend the grant by six years.
- Under the grant, Hamilton Families provides rapid rehousing services. The purpose of the rapid rehousing program is to find short-to-medium term rehousing for formerly homeless or at-risk of being homeless families that meet income eligibility criteria. The program provides payments of rental subsidies directly to landlords and related support services. The overall rapid rehousing program serves approximately 75 families per year, including 35 funded by this agreement (along with a separate agreement with Hamilton Families).

**Fiscal Impact**

- The proposed Second Amendment would increase the not-to-exceed amount of the Hamilton Families grant agreement by \$12,306,778, for a total not to exceed \$21,903,359. The grant is funded approximately 84 percent by the City’s General Fund, nine percent by U.S. Department of Housing and Urban Development (HUD) Emergency Solutions Grant funds, and six percent by Homeless Gross Receipts (Proposition C) funds.

**Recommendation**

- Approve the proposed resolution.

**MANDATE STATEMENT**

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

**BACKGROUND**

In December 2019, the Department of Homelessness and Supportive Housing (HSH) issued a Request for Qualifications (RFQ) to qualify providers for federal Emergency Solutions Grant (ESG) funding for homelessness prevention, rapid rehousing, and emergency shelter services. Although not required by local procurement regulations, awarding this federal funding source requires a competitive solicitation. Within the rapid rehousing category, HSH received two proposals. An evaluation panel reviewed the proposals and scored the extent to which they met three minimum qualifications: (1) having five years of experience providing homeless services, (2) two years of experience in the service category to which they were applying, and (3) ability to provide matching contributions to the ESG award. Exhibit 1 below shows the final scores.<sup>1</sup>

**Exhibit 1: Proposers and Scores from RFQ**

<b>Proposer</b>	<b>Average Score (Out of 60 Points)</b>
Hamilton Families	55
Episcopal Community Services	51

Source: HSH

Hamilton Families, which had provided similar services since at least 2016, was deemed the highest scoring proposer and was awarded a grant to provide rapid rehousing services to families. Episcopal Community Service was also awarded a grant for providing rapid rehousing for adults.

In July 2020, HSH executed a grant agreement with Hamilton Families for a term of four years from July 2020 through June 2024 and an amount not to exceed \$9,976,661. In August 2022, HSH executed the First Amendment to the grant, reducing the not-to-exceed amount to \$9,596,581. Due to the ongoing need for the program and satisfaction with Hamilton Families’ performance, HSH and Hamilton Families have agreed to extend the grant by six years.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would approve the Second Amendment to the HSH grant agreement with Hamilton Families for family rapid re-housing services through the Housing Solutions program, extending the term by six years through June 2030, and increasing the not-to-exceed

<sup>1</sup> The evaluation panel consisted of an HSH Continuum of Care Supportive Housing Manager and an HSH Program Manager.

amount by \$12,306,778, for a total not to exceed \$21,903,359. The proposed resolution would also authorize HSH to make further immaterial amendments to the grant agreement.

### **Services Provided**

Under the ESG grant, Hamilton Families is one of two providers that provide rapid rehousing services for families. The purpose of the family rapid rehousing program is to provide short-to-medium term rental assistance for formerly homeless or at-risk of being homeless families with at least one adult and one child that meets income eligibility criteria. The program provides payments of rental subsidies directly to landlords and support services including case management, housing location, housing coordination, subsidy administration, landlord liaison, and workforce development services.

Hamilton's rapid rehousing work is funded by two HSH grants: (1) the proposed grant, funded by ESG grant funds and the General Fund and (2) a separate grant, funded by HUD Continuum of Care funding, which is largely restricted to rental assistance. This agreement funds case management and support services for families receiving rapid rehousing rental assistance funded by both grants. Together, both grants are budgeted to serve 75 clients, including 35 families in the proposed amended grant.

### **Performance and Fiscal Monitoring**

HSH staff reported to our office that Hamilton served 50 households in FY 2022-23, which is higher than the 40 required by the existing contract.

In its FY 2022-23 program monitoring, HSH noted five findings with follow-up recommendations to meet administrative requirements of the grant. In November 2023, Hamilton Families responded that all recommendations had been implemented or were in the process of being implemented.

In addition, due to \$940,347 in underspending from FY 2020-21 to FY 2022-23, HSH required Hamilton to develop a spenddown plan for FY 2023-24 and submit invoices in a timely fashion. According to FY 2023-24 spending data provided by HSH, the proposed grant is projected to spend down its ESG funding (\$191,943) but is projected to underspend its General Fund allocation by \$200,000 - \$500,000. HSH staff attribute the underspending to an expansion of permanent housing programs for formerly homeless families, including leasing up City Gardens (200 units of PSH at 333 12<sup>th</sup> Street, File 22-0344) and expansion of the Flexible Housing Subsidy Pool.

The Department of Children, Youth, and their Families (DCYF) reviewed Hamilton Families' financial documents as part of the Citywide Fiscal and Compliance Monitoring program and had no findings.

### **FISCAL IMPACT**

The proposed Second Amendment would increase the not-to-exceed amount of the Hamilton Families grant agreement by \$12,306,778, for a total not to exceed \$21,903,359. Actual and projected grant expenditures by year are shown in Exhibit 2 below.

**Exhibit 2: Actual and Projected Grant Expenditures by Year**

<b>Year</b>	<b>Expenditures</b>
Year 1 (FY 2020-21, Actual)	\$1,805,145
Year 2 (FY 2021-22, Actual)	1,761,258
Year 3 (FY 2022-23, Actual)	1,866,755
Year 4 (FY 2023-24, Projected)	2,045,988
Year 5 (FY 2024-25, Projected)	2,045,989
Year 6 (FY 2025-26, Projected)	2,045,989
Year 7 (FY 2026-27, Projected)	2,045,989
Year 8 (FY 2027-28, Projected)	2,045,989
Year 9 (FY 2028-29, Projected)	2,045,989
Year 10 (FY 2029-30, Projected)	2,045,989
<i>Subtotal, Actual and Projected Expenditures</i>	<i>\$19,755,072</i>
Contingency (15% of Projected Expenditures)	2,148,287
<b>Total Not-to-Exceed</b>	<b>\$21,903,359</b>

Source: Proposed Grant Amendment. Totals may not add due to rounding.

The grant is funded approximately 84 percent by the City’s General Fund, nine percent by U.S. Department of Housing and Urban Development (HUD) Emergency Solutions Grant funds, and six percent by Homelessness Gross Receipts (Proposition C) funds. A portion of the City’s local funding provides a required 25 percent match of the federal ESG grant funding. Exhibit 3 below shows the projected annual budget in the six-year extension term.

**Exhibit 3: Projected Annual Grant Budget (FY 2024-25 through FY 2029-30)**

<b>Sources</b>	<b>Amount</b>
General Fund	\$1,727,245
HUD Funding	191,943
Proposition C	126,800
<b>Total Sources</b>	<b>\$2,045,988</b>

<b>Uses</b>	<b>Amount</b>
Salaries & Benefits	\$910,632
Operating Expenses	217,649
Indirect Cost (15%)	169,241
Other Expenses	748,466
<b>Total Uses</b>	<b>\$2,045,989</b>

Source: Proposed Grant Amendment. Totals may not add due to rounding.

Notes: Operating expenses include office rent, utilities, office supplies, insurance, training, equipment rental, hiring expenses, computer costs, transportation, payroll services, and software licensing. Indirect costs include overhead costs such as human resources, payroll, executive salaries, information technology staff, and office supplies. Other expenses include rent subsidies, move-in assistance, and household goods.

HSH estimates the annual program cost is approximately \$40,000 per family. However, the grant budget is sized to reflect the annual program cost to account for new households beginning the subsidy program as families move off the subsidy program.

**RECOMMENDATION**

Approve the proposed resolution.

<p><b>Item 2</b> <b>File 24-0339</b></p>	<p><b>Department:</b> Department of Homelessness and Supportive Housing (HSH)</p>
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**EXECUTIVE SUMMARY**

**Legislative Objectives**

- The proposed resolution would approve the Second Amendment to the Department of Homelessness and Supportive Housing’s (HSH) grant agreement with Conard House, Inc. for supportive services, property management, and master lease stewardship at the McAllister Hotel, extending the term by two years through June 2026, increasing the not-to-exceed amount by \$4,490,244, for a total not to exceed \$12,815,916, and authorizing HSH to make further immaterial amendments to the grant agreement.

**Key Points**

- Conard House has leased and operated the 80-unit McAllister Hotel at 270 McAllister Hotel as a permanent supportive housing site since 2004. In 2020, HSH was awarded a new grant agreement with Conard House to continue operating the site. The grant agreement expires on June 30, 2024 and HSH and Conard House have agreed to extend the term by two years.
- Under the grant agreement, Conard House provides support services, property management, and master lease stewardship at the McAllister Hotel. The building has 80 single-occupancy units for adults which are typically over 90 percent occupied. Conard House leases the property, and HSH provides rent reimbursement through the grant. Support services include intake and assessment, case management, wellness checks, support groups, and social events. Property management services include lease management, collection of rents, and building maintenance.

**Fiscal Impact**

- The proposed Second Amendment would increase the not-to-exceed amount of the grant agreement by \$4,490,244, for a total not to exceed \$12,815,916. Of the HSH funding used to fund the grant, approximately 82 percent is funded by the HSH Fund, 10 percent is funded by Homeless Gross Receipts (Proposition C) funds, and 9 percent is funded by the City’s General Fund. In addition, Conard House receives approximately \$203,798 in resident rent each year, which helps to offset HSH costs for the program.

**Recommendation**

- Approve the proposed resolution.

**MANDATE STATEMENT**

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

**BACKGROUND**

Conard House has leased and operated the 80-unit McAllister Hotel at 270 McAllister Hotel as a permanent supportive housing site since 2004. In 2020, the Department of Homelessness and Supportive Housing (HSH) awarded a new grant agreement with Conard House to continue operating the site. The grant award was made under Chapter 21B of the Administrative Code, which allows HSH to enter into and amend contracts for homeless services without competitive bidding until March 2029 or until the homeless Point in Time (PIT) count is below 5,250 (Files 19-0047, 23-1129).

In January 2021, HSH executed a grant agreement with Conard House for a term of three years and two months from January 2021 through February 2024 and an amount not to exceed \$5,766,861. In July 2023, HSH executed the First Amendment to the grant agreement, extending the term by four months through June 2024, and increasing the not-to-exceed amount to \$8,325,672. Due to the ongoing need for permanent supportive housing and satisfaction with Conard House’s performance, HSH and Conard House have agreed to extend the grant for two years.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would approve the Second Amendment to the HSH grant agreement with Conard House for supportive services, property management, and master lease stewardship at the McAllister Hotel, extending the term by two years through June 2026, and increasing the not-to-exceed amount by \$4,490,244, for a total not to exceed \$12,815,916. The proposed resolution would also authorize HSH to make further immaterial amendments to the grant agreement.

**Services Provided**

Under the grant agreement, Conard House provides support services, property management, and master lease stewardship at the McAllister Hotel. The building has 80 single-occupancy units for adults, which are typically over 90 percent occupied. Conard House leases the property, and HSH provides rent reimbursement through the grant. Support services include intake and assessment, case management, wellness checks, support groups, and social events. Property management services include lease management, rent collection, and building maintenance.

The grant funds approximately 14.6 full-time equivalent (FTE) positions.



**Performance and Fiscal Monitoring**

FY 2022-23 performance monitoring by HSH, which included a site visit in July 2023, found that Conard House generally met its contracted units of service and service and outcome objectives, including maintaining over 90 percent occupancy within the building. The exception was that 50 percent of residents felt satisfied with programming, compared to a target of 85 percent. The report noted three administrative findings with follow-up recommendations: (1) tenant files did not always include tenant consent forms; (2) not all tenants had completed assessments in the required HSH data system; and (3) one floor did not have the emergency exit plan posted. In September 2023, Conard House responded that the recommendations had been implemented or were in the process of being implemented.

The Department of Public Health (DPH) reviewed Conard House’s financial documents as part of the FY 2022-23 Citywide Fiscal and Compliance Monitoring program and had two findings related to the completion of the FY 2021-22 audited financial documents. Conard House’s FY 2021-22 audit was issued on December 30, 2023, or approximately nine months behind schedule.

**FISCAL IMPACT**

The proposed Second Amendment would increase the not-to-exceed amount of the grant agreement by \$4,490,244, for a total not to exceed \$12,815,916. Actual and projected HSH expenditures by year are shown in Exhibit 1 below.

**Exhibit 1: Actual and Projected HSH Expenditures by Year**

<b>Year</b>	<b>Expenditures</b>
Year 1 (FY 2020-21, Actual, 6 Months)	\$1,101,734
Year 2 (FY 2021-22, Actual)	1,515,214
Year 3 (FY 2022-23, Actual)	2,205,957
Year 4 (FY 2023-24, Projected)	2,358,849
Year 5 (FY 2024-25, Projected)	2,312,874
Year 6 (FY 2025-26, Projected)	2,382,261
<i>Subtotal</i>	<i>\$11,876,889</i>
Contingency (20% of Years 5-6 Projected Expenditures)	939,027
<b>Total Not-to-Exceed</b>	<b>\$12,815,916</b>

Source: Proposed Grant Amendment

Of the HSH funding used to fund the grant, approximately 82 percent is funded by the HSH Fund,<sup>1</sup> 10 percent is funded by Homeless Gross Receipts (Proposition C) funds, and 9 percent is funded by the City’s General Fund. In addition, Conard House receives approximately \$203,798 in resident rent each year, which helps to offset HSH costs for the program.

Exhibit 2 below shows the proposed annual spending in FY 2024-25.

<sup>1</sup> The HSH Fund accounts for County Adult Assistance Program (CAAP) funding that is used for housing and services for CAAP clients. The re-purposing of CAAP funding was approved by voters in November 2002 (the “Care Not Cash” ordinance).

**Exhibit 2: Proposed Contract Budget, FY 2024-25**

<b>Sources</b>	<b>Amount</b>
HSB Fund	\$2,015,210
Prop C	297,664
<i>Subtotal, Proposed Grant</i>	<i>\$2,312,874</i>
Rent	203,799
<b>Total Sources</b>	<b>\$ 2,516,673</b>

<b>Expenditures</b>	<b>Amount</b>
Salaries & Benefits	\$1,214,255
Operating Expenses	629,232
Indirect Cost (13%)	239,653
Other Expenses	433,533
<b>Total Expenditures</b>	<b>\$2,516,673</b>

Source: Proposed Grant Amendment

Notes: Operating expenses include utilities, building maintenance, and insurance. Indirect costs include overhead costs such as human resources, payroll, executive salaries, information technology staff. Other expenses include the master lease rent and a placeholder amount for annual cost of doing business increases.

**RECOMMENDATION**

Approve the proposed resolution.

<p><b>Item 3</b> <b>File 24-0394</b></p>	<p><b>Department:</b> Public Utilities Commission (PUC)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed hearing would release \$2,437,812.23 from Budget and Finance Committee reserve for the San Francisco Public Utilities Commission (SFPUC) Transmission Lines 7/8 Upgrades project.</li> </ul> <p><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• In January 2013, the Board of Supervisors passed an ordinance (File No. 12-1007) that authorized the SFPUC to enter into mitigation agreements for projects that impact SFPUC power assets. The ordinance requires that any funds resulting from the mitigation agreements that exceed \$100,000 must be placed on Budget and Finance Committee Reserve.</li> <li>• As of February 29, 2024, SFPUC has completed 15 mitigation agreements generating \$29.1 million, with five mitigation agreements still being negotiated. The remaining mitigation payments and accrued interest available on reserve total \$2,437,812.</li> <li>• Mitigation payments offset the cost of a \$35.4 million capital project to upgrade Transmission Lines 7 and 8, which connect Warnerville and Standiford substations.</li> </ul> <p><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The proposed release of reserved funds will reduce the use of Hetch Hetchy capital funds for the Transmission Lines 7 &amp; 8 Upgrade project.</li> </ul> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the release of \$2,437,812.23 in reserves.</li> </ul>	

**MANDATE STATEMENT**

City Administrative Code Section 3.3(j) states that the Budget and Finance Committee of the Board of Supervisors has jurisdiction over the City’s budget and may reserve proposed expenditures to be released at a later date subject to Board of Supervisors approval. The practice of the Board of Supervisors is for the Budget and Finance Committee to approve release of funds placed on reserve by the Committee, without further Board of Supervisors approval.

**BACKGROUND**

**Transmission Line Upgrade**

The San Francisco Public Utilities Commission (SFPUC) electric transmission Lines 7/8 conveys power from Warnerville Substation to Modesto Irrigation District’s Standiford Substation. SFPUC’s Hetch Hetchy Water Division manages and operates the transmission lines.

Hundreds of proposed electric generating projects seek to interconnect with the electric transmission system controlled by the California Independent System Operator (CAISO).<sup>1</sup> As part of the CAISO transmission interconnection process, renewable energy project developers submit applications to the CAISO. The CAISO manages projects through a cluster analysis to identify aggregate impacts on the state’s electric grid. San Francisco Public Utilities Commission (SFPUC) owns transmission facilities in the Central Valley that can be affected by these proposed projects.

Projects that impact the grid are required to reimburse the owner of the affected facilities (in this case, SFPUC) for the spending required to mitigate the impacts. SFPUC identified three project clusters that impact SFPUC’s Transmission Lines 7 and 8, resulting in mitigation payments to SFPUC. The Department is using this funding to upgrade the affected transmission lines to accommodate higher power flows.

**Authorization for SFPUC to Enter Mitigation Agreements**

In January 2013, the Board of Supervisors passed an ordinance (File 12-1007) that authorized the SFPUC to enter into mitigation agreements for projects that impact SFPUC power assets. The ordinance requires that any funds resulting from the mitigation agreements that exceed \$100,000 must be placed on Budget and Finance Committee Reserve.

**Mitigation Payments for Transmission Lines 7 and 8**

As of February 29, 2024, SFPUC has completed 15 mitigation agreements for a total of \$29.1 million, with five mitigation agreements still being negotiated. In September 2020, the Budget and Finance Committee approved the release of \$9.47 million in mitigation payments and accrued interest to the SFPUC for the Transmission Lines 7/8 Project (File 20-1020), and in July 2022 the Budget and Finance Committee approved the release of \$12 million in mitigation payments and accrued interest (File 22-0807). In May 2023, the Budget and Finance Committee

<sup>1</sup> CAISO is a nonprofit public benefit organization that manages the flow of electricity across the high voltage, long-distance power lines for the grid serving 80 percent of California and a small part of Nevada.

approved the release of \$6.9 million in mitigation payments and accrued interest (File 23-0551). The remaining mitigation payments and accrued interest available on reserve total \$2,437,812.

### **Project Status**

The transmission upgrade project began on January 1, 2020 and is expected to be closed out by December 31, 2024. The planning, design, and environmental review phases have been completed, and the project is currently in construction. Funding for the initial portion of the project was covered by the Hetch Hetchy Water and Power Capital Program (\$16 million appropriated to date). As mitigation funding becomes available, it is used to reimburse the Capital Program funds.

On February 11, 2022, the SFPUC advertised the contract for the project construction work and received three responsive bids. Wilson Utility Construction Company (Wilson) was the lowest responsive bidder. On June 28, 2022, the SFPUC Commission approved the award of the contract (No. HH-1007) to Wilson Utility Construction Company for a total amount of \$23,980,141. Wilson met the 10 percent Local Business Enterprise (LBE) subcontracting participation requirement for this contract.

Construction began on September 28, 2022. According to SFPUC staff, as of March 2024, all physical construction work is 98 percent complete. Construction is expected to be fully completed by June 2024.

### **DETAILS OF PROPOSED LEGISLATION**

The proposed hearing would release \$2,437,812.23 from Budget and Finance Committee reserve for the San Francisco Public Utilities Commission (SFPUC) Transmission Lines 7/8 Upgrades project.

This amount is consistent with the available project reserve balance (including accrued interest) provided by SFPUC to our office.

The funds will be used to enhance transmission lines and modify existing towers along Transmission Lines 7 and 8 from Warnerville to Standiford substations to accommodate the additional transmission power flows caused by the interconnection of electric generating projects to the electric grid.

### **FISCAL IMPACT**

SFPUC anticipates that the total cost of the Transmission Lines 7 and 8 Upgrade project is approximately \$35,427,000. The project is funded by Hetch Hetchy Power Capital Program bond funding and mitigation payments from renewable generation developers. The sources and uses of funds for the project are shown in Table 1 below.

**Table 1. SFPUC Transmission Lines 7/8 Upgrade Project Budget**

<b>Sources</b>	<b>Amount</b>
Mitigation Payments	\$33,300,000
Hetch Hetchy Power Capital Program	\$2,127,000*
<b>Total Sources</b>	<b>\$35,427,000</b>

<b>Uses</b>	<b>Amount</b>
Planning	\$802,000
Design	\$4,056,000
Environmental Review	\$222,000
<i>Pre-Construction Subtotal</i>	<i>\$5,080,000</i>
Construction	\$26,273,000
Construction Management	\$4,074,000
<i>Construction Subtotal</i>	<i>\$30,347,000</i>
<b>Total Uses</b>	<b>\$35,427,000</b>

Source: SFPUC

\*Note: This is the amount that is expected to be funded from the Capital Plan by the end of the project, assuming SFPUC receives the full \$33.3 million in mitigation payments. \$16 million from the Hetch Hetchy Power Capital Program has been appropriated for this project, of which \$7 million has been reimbursed by mitigation payments. As mitigation funding becomes available, it is used to reimburse the Capital Program funds. Five more mitigation agreements with renewable generation project developers are being negotiated.

According to the FY 2023-24 Third Quarterly Report (January to March 2024) on the Hetch Hetchy Capital Improvement Program, \$31.91 million has been spent on this project to date.

**RECOMMENDATION**

Approve the release of \$2,437,812.23 in reserves.

<b>Item 4</b> <b>File 24-0309</b>	<b>Department:</b> Airport
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**EXECUTIVE SUMMARY**

**Legislative Objectives**

- The proposed resolution would authorize the Airport Commission to accept and expend a grant from the FAA Airport Terminal Program in an amount not exceeding \$31,000,000, plus additional amounts up to 15 percent of the original grant amount that may be offered from October 1, 2023, through September 30, 2028. The Airport is required to provide matching funds of \$7,750,000 (20 percent of total grant-eligible project costs).

**Key Points**

- On November 15, 2021, President Biden signed into law the Infrastructure Investment and Jobs Act of 2021 (i.e., the Bipartisan Infrastructure Law). The Bipartisan Infrastructure Law included \$5 billion for the newly established Airport Terminal Program. Under the Airport Terminal Program, the Federal Aviation Administration (FAA) makes annual competitive grants available to eligible airports for airport terminal development projects that address aging infrastructure. The San Francisco International Airport (Airport) applied for Airport Terminal Program grant funds for the HVAC Improvements at the International Terminal Project (HVAC Improvements Project).
- The proposed grant would partially fund the HVAC Improvements Project, which will replace electrical and mechanical components and other hardware of the HVAC system at the International Terminal and includes the installation of volatile organic compounds (VOC) sensors and new filtration units. The current HVAC system at the International Terminal Building was installed in 1999, and many of the components are at the end of their useful life (15-20 years).
- The Airport began design work in October 2022 and the project is expected to be complete in March 2027.

**Fiscal Impact**

- The total cost of the HVAC Improvements Project is \$52.5 million. The total grant-eligible project cost is \$38,750,000, of which the proposed grant is funding 80 percent (\$31 million), all for construction. The Airport is funding the remaining cost of the project (\$21.5 million), including a required 20 percent match for grant-eligible costs, with General Airport Revenue bonds.

**Recommendation**

- Approve the proposed resolution.

## MANDATE STATEMENT

City Administrative Code Section 10.170-1 states that accepting Federal, State, or third-party grant funds for \$100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors approval.

## BACKGROUND

On November 15, 2021, President Biden signed into law the Infrastructure Investment and Jobs Act of 2021 (i.e., the Bipartisan Infrastructure Law). The Bipartisan Infrastructure Law included \$5 billion for the newly established Airport Terminal Program. Under the Airport Terminal Program, the Federal Aviation Administration (FAA) makes annual competitive grants available to eligible airports for airport terminal development projects that address aging infrastructure. The Airport Terminal Program reimburses up to 80 percent of eligible terminal development project costs, subject to availability of funding.

The San Francisco International Airport (Airport) applied for Airport Terminal Program grant funds for the HVAC Improvements at the International Terminal Project (HVAC Improvements Project). In February 2024, Airport staff received a Notice of Intent to award from the FAA for the HVAC Improvements Project.

### **Airport Commission Approval**

On March 19, 2024, the Airport Commission authorized the Airport Director to accept and expend an anticipated \$31,000,000 in Airport Terminal Program funding, subject to approval by resolution of the Board of Supervisors.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Airport Commission to accept and expend a grant from the FAA Airport Terminal Program in an amount not exceeding \$31,000,000, plus additional amounts up to 15 percent of the original grant amount that may be offered from October 1, 2023, through September 30, 2028.<sup>1</sup> The Airport is required to provide matching funds of \$7,750,000 (20 percent of total grant-eligible project costs).

### **Project Scope**

The HVAC system at the International Terminal Building was installed in 1999, and according to the Airport, many of the components are at the end of their useful life (15-20 years). The HVAC Improvements Project will replace electrical and mechanical components and other hardware of the HVAC system at the International Terminal and includes the installation of volatile organic compounds (VOC)<sup>2</sup> sensors and new filtration units. By upgrading the HVAC system, the Airport expects to reduce energy usage and maintenance costs, as well as improve fire and life safety

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<sup>1</sup> According to Airport staff, this “15 percent” clause is standard language included in all Airport grant resolutions in case additional grant funding becomes available.

<sup>2</sup> VOCs are gases that include a variety of chemicals, some of which may have short- and long-term adverse health impacts.



compliance. The Airport began design work in October 2022 and the project is expected to be complete in March 2027.

**Contracted Services**

According to Airport staff, a prime contractor will be selected for the project through a design-bid-build delivery procurement process. A solicitation was released on March 29, 2024 with bids due on May 14, 2024. Contracts will be awarded based on the lowest cost bid. Construction contracts are not subject to Board of Supervisors approval.

**FISCAL IMPACT**

The total cost of the HVAC Improvements Project is \$52.5 million, as shown in Exhibit 1 below. The total grant-eligible project cost is \$38,750,000, of which the proposed grant is funding 80 percent (\$31 million), all for construction. The Airport is funding the remaining cost of the project (\$21.5 million), including a required 20 percent match for grant-eligible costs, with General Airport Revenue bonds.

The Airport anticipates receiving the FAA grant funds in June 2024.

**Exhibit 1. HVAC Improvements Project Grant Budget (Estimates as of March 2024)**

<b>Sources</b>	<b>Amount</b>
Proposed Grant	\$31,000,000
General Airport Revenue Bonds	21,500,000
<b>Total Sources</b>	<b>\$52,500,000</b>
<b>Uses</b>	
Airport Internal Labor Costs	\$3,500,000
Project Management	1,000,000
Construction	48,000,000
<b>Total Uses</b>	<b>\$52,500,000</b>

Source: Airport

**RECOMMENDATION**

Approve the proposed resolution.

<b>Items 5 &amp; 6</b> <b>Files 24-0008 &amp; 24-0009</b>	<b>Department:</b> San Francisco International Airport (Airport)
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**EXECUTIVE SUMMARY**

**Legislative Objectives**

- **File 24-0008** is a resolution that would approve the fourth modification of the property lease between the San Francisco International Airport (Airport) and American Airlines, extending the term of the lease by two years and increasing the annual rent by \$239,245 from \$6,946,755 to \$7,240,000 to commence upon Board of Supervisors’ approval.
- **File 24-0009** is a resolution that would approve the third modification of the property lease between the Airport and United Airlines, extending the term of the lease by two years and setting the annual rent to \$5,563,769 (the current rate), to commence upon Board of Supervisors’ approval.

**Key Points**

- American Airlines and United Airlines currently lease the SuperBay Hangar on Plot 40 at the Airport, which is permitted for use by the airlines for aircraft maintenance (including office space), aircraft and employee parking, and equipment storage. Both existing leases expired on June 30, 2023 and are currently in holdover status. The parties agreed to extend both existing leases by two years to provide more time to discuss new long-term leases for the SuperBay Hangar.
- In 2018, the Board of Supervisors approved the third modification of the property lease between the Airport and American Airlines to recapture land for the Airport’s SuperBay Hangar Fire Suppression System Replacement Project and to extend the term of the lease by four years and eight months.
- In 2018, the Board of Supervisors approved the second modification of the property lease between the Airport and United Airlines to recapture a portion of land to accommodate the demand for the Airport construction contractors’ parking at the Airport.

**Fiscal Impact**

- Annual rent for both leases was determined based on appraisals of the properties and terms of the existing leases. The proposed fourth modification of the lease between the Airport and American Airlines would increase the annual rent by \$239,245 (four percent) from \$6,946,755 to \$7,240,000 generating revenue of \$14,697,200 for the Airport over two years. The proposed third modification of the lease between the Airport and United Airlines would set the annual rent to \$5,563,769 (the current rate), generating revenue of \$11,294,451 for the Airport over two years.

**Recommendation**

- Approve the proposed resolutions.

**MANDATE STATEMENT**

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

City Administrative Code Section 2A.173 allows the Airport to enter into leases with airlines for use of Airport property without competitive bidding if the original lease term is 50 years or less.

**BACKGROUND**

American Airlines and United Airlines currently lease the SuperBay Hangar on Plot 40 at the San Francisco International Airport (Airport), which is permitted for use by the airlines for aircraft maintenance (and related operations and support offices), aircraft and employee parking, and equipment storage and related functions.

Both American Airlines and United Airlines hold leases with the Airport that expired on June 30, 2023. The leases are currently in holdover status because lease discussions, which began in 2023, required more time than initially anticipated, according to Airport staff. In the first half of 2023, the parties were focused on executing the 2023 Lease and Use Agreement, which sets the terms and conditions for airlines to operate at the Airport and rent space in the terminal complex. These discussions prolonged the discussions of the SuperBay Hangar leases. The parties agreed to extend both existing leases by two years to provide more time to discuss new long-term leases for the SuperBay Hangar.

**American Airlines Hangar Lease**

In October 2013, the Board of Supervisors approved a new lease between the Airport and American Airlines for a portion of land at the SuperBay Hangar for a term of three years from November 1, 2013 through October 31, 2016 with two one-year options to extend the lease through October 31, 2018 (File 13-0777).

In September 2016, the Airport Commission approved the first modification to the lease to recapture a portion of land used for employee parking. However, the recapture was deemed infeasible due to unforeseen conditions at the site, and the Airport rescinded the first modification prior to Board of Supervisors’ approval and identified an alternative parcel for recapture under a second modification.

In February 2018, the Board of Supervisors approved the second modification of the property lease between the Airport and American Airlines to recapture a portion of the land<sup>1</sup> at the SuperBay Hangar to accommodate demand for the Airport’s construction contractors’ parking

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<sup>1</sup> The second modification reduced the portion of land at Plot 40 used for American Airline’s employee parking by approximately 1.19 acres, from approximately 6.18 acres to approximately 4.99 acres.

(File 18-0009). This second modification reduced the annual rent by \$120,471 from \$4,742,384 to \$4,621,913 (retroactive to January 2017) with no change to the length of the term.

In November 2018, the Board of Supervisors retroactively approved the third modification of the property lease to recapture an additional portion of the land<sup>2</sup> at the SuperBay Hangar to accommodate demand for the Airport's SuperBay Hangar Fire Suppression System Replacement Project (File 18-0981).<sup>3</sup> The third modification also extended the term of the lease by four years and eight months, from November 1, 2018 through June 30, 2023 and increased the annual rent by \$1,454,475 from \$4,621,913 to \$6,076,388.

### **United Airlines Hangar Lease**

In April 2004, the Board of Supervisors approved an ordinance authorizing settlement between the Airport and United Airlines, as parties to the Cure Stipulation Agreement (File 04-0321), wherein United Airlines assumed a lease with the Airport for a term of nine years and one month from approximately June 1, 2004 through June 30, 2013 with one ten-year option to extend the lease through approximately June 30, 2023.

In September 2016, the Airport Commission approved the first modification to the lease to recapture a portion of the land. This modification was connected to the first modification of the American Airlines lease, and similarly, the recapture of land under the United Airlines lease was deemed infeasible due to unforeseen conditions at the site. The Airport rescinded the first modification prior to Board of Supervisors' approval and identified an alternative parcel for recapture under a second modification.

In February 2018, the Board of Supervisors approved the second modification of the property lease between the Airport and United Airlines to recapture a portion of the land<sup>4</sup> to accommodate demand for the Airport construction contractors' parking at the Airport (File 18-0010). The second modification reduced the annual rent by \$25,918 from \$3,886,151 to \$3,860,233 (retroactive to January 2017) with no change to the length of the term.

## **DETAILS OF PROPOSED LEGISLATION**

**File 24-0008:** The proposed resolution would approve the fourth modification to the SuperBay Hangar lease between American Airlines and the Airport, extending the term of the lease by two years and increasing the annual rent by \$293,245 from \$6,946,755 to \$7,240,000, to commence

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<sup>2</sup> This third modification reduced the portion of land at Plot 40 used for American Airlines' employee parking by (i) approximately 0.23 acres, from approximately 4.99 acres to approximately 4.76 acres; and (ii) approximately 0.17 acres of American's Aircraft parking area, from 17.4 acres to 17.23 acres, for a total reduction of 0.40 acres.

<sup>3</sup> According to Airport staff, the SuperBay Hangar Fire Suppression System Replacement Project was completed in 2020.

<sup>4</sup> The second modification reduced the portion of land at Plot 40 by 0.22 acres from 18.64 to 18.4 acres.

following approval by the Board of Supervisors. The fourth modification would also update the lease to comply with all applicable local, state, and federal laws.

**File 24-0009:** The proposed resolution would approve the third modification to the SuperBay Hangar lease, extending the term of the lease by two years and setting the annual rent to \$5,563,769 (the current rate), to commence following approval by the Board of Supervisors. The third modification would also update the lease to comply with all applicable local, state, and federal laws.

Exhibit 1 below summarizes key provisions of the leases.

**Exhibit 1: Key Provisions of Property Leases**

	<b>American Airlines File 24-0008</b>	<b>United Airlines File 24-0009</b>
<b>Leased Premises</b>	Total: 1,124,685 square feet (sf) Hangar: 127,900 sf Land (aircraft and employee parking): 957,885 sf Upper Floor Office: 38,900 sf	Total: 929,404 square feet (sf) Hangar: 127,900 sf Land (aircraft and employee parking): 801,504 sf
<b>Current Term</b>	November 2013 to June 2023 (9 years, 8 months)	June 2004 to June 2023 (19 years)
<b>Extended Lease Term</b>	One two-year extension	One two-year extension
<b>Current Annual Rent</b>	\$6,946,755	\$5,563,769
<b>Proposed Rent in Year 1 of Extension</b>	\$7,240,000	\$5,563,769
<b>Proposed Change in Annual Rent</b>	\$293,245 (4%) increase	No change
<b>Annual Rent Increase</b>	Based on CPI	Based on CPI

Sources: Existing and proposed lease modifications

**FISCAL IMPACT**

The proposed fourth modification of the property lease between the Airport and American Airlines increases the annual rent to \$7,240,000. The proposed third modification of the property lease between the Airport and United Airlines sets the annual rent to \$5,563,769, the current rent. Annual rent for both leases was determined based on appraisals of the properties and terms of the existing leases, as discussed below. Estimated total revenue over the proposed two-year extensions are shown in Exhibit 2 below.

**Exhibit 2: Estimated Total Revenue for the Proposed Lease Modifications\***

<b>Year</b>	<b>American Airlines File 24-0008</b>	<b>United Airlines File 24-0009</b>
Year 1	\$7,240,000	\$5,563,769
Year 2	7,457,200	5,730,682
<b>Two-Year Total</b>	<b>\$14,697,200</b>	<b>\$11,294,451</b>

Source: Proposed lease modifications  
\*Assumes CPI of 3%

**Fair Market Rent Appraisals**

The City’s Real Estate Department contracted with Colliers International to conduct fair market appraisals for both leases to determine annual rent for the proposed lease extensions. Both appraisals were conducted on February 16, 2023. Fair market rent by square foot was determined for each category of space, including Hangar space (\$14.60 per square foot), aircraft apron and employee parking space (\$4.50 per square foot), and office space (\$27.34 per square foot), and annual fair market rate for the leased premises was calculated based on these rates and the square footage shown in Exhibit 1 above, rounded to the nearest \$1,000.

The appraisal for the American Airlines leased premises found the annual fair market rent to be equal to \$7,240,000, which is consistent with the proposed lease modification and reflects a four percent increase from the current rent.

The appraisal for the United Airlines leased premises found the annual fair market rent to be \$5,470,000, which is two percent lower than the current rent. The property was last appraised in 2018 and annual rent was adjusted by the Consumer Price Index (CPI) each subsequent year, per the terms of the lease. However, pursuant to the Lease, the annual rent for any year cannot be lower than the annual rent in the preceding year. Therefore, the proposed third modification sets the initial extension term annual rent to \$5,563,769, which reflects the current rent.

**RECOMMENDATION**

Approve the proposed resolutions.

<p><b>Item 8</b> <b>File 24-0365</b></p>	<p><b>Department:</b> Office of Contract Administration (OCA)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>The proposed resolution would approve the Fifth Amendment to the City’s contract with Recology San Francisco, Recology Sunset Scavenger, and Recology Golden Gate (together “Recology”), increasing the not-to-exceed amount by \$4,200,000, for a total not to exceed \$43,800,000, and extending the term by four months through October 2024.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>Recology provides collection, processing, and disposal of refuse (recyclables, compostables, and trash) to commercial and residential customers in San Francisco. In 2020, the Office of Contract Administration (OCA) entered into a contract with Recology for refuse collection at City facilities. The contract has since been amended four times, for a total term of three years and seven months and an amount not to exceed \$39,600,000.</li> <li>In 2022, OCA issued a Request for Proposals (RFP) to solicit proposals for a new refuse collection contract at City facilities. Allied Waste was deemed the highest scoring proposer and OCA issued a Notice of Intent to Award a contract to Allied Waste. However, prior to Board of Supervisors approval, Recology submitted a letter to OCA questioning Allied Waste’s pricing, noting that certain collection rates did not increase as container sizes increased. In a competitive solicitation process, bidders certify the information contained in their proposals are accurate and are bound to the rates they propose and are evaluated on. Allied Waste indicated that it could not proceed with its proposed collection rates and withdrew its proposal. OCA terminated negotiations and engaged with Recology, the second highest scoring proposer, about a new contract for refuse collection at City facilities.</li> <li>To ensure that service continues while the contract is negotiated, OCA and Recology agreed to extend the existing contract through October 2024. Recology has agreed to maintain the existing contract pricing during the four-month extension term.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>The proposed Fifth Amendment would increase the not-to-exceed amount of the contract by \$4,200,000, for a total not to exceed \$43,800,000. Costs are paid by the various City departments based on the amount of refuse collection service used.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Approve the proposed resolution.</li> </ul>	

**MANDATE STATEMENT**

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

**BACKGROUND**

**Contract History**

Recology provides collection, processing, and disposal of refuse (recyclables, compostables, and trash) to commercial and residential customers in San Francisco. In 2020, the Office of Contract Administration (OCA) executed a contract to Recology to collect refuse from City facilities for a term of seven months, from December 2020 through June 2021, with an option to extend by five months through November 2021, and an amount not to exceed \$5,600,000.<sup>1</sup> In June 2021, OCA executed the First Amendment to the contract, extending the term by five months through November 2021, and increasing the not-to-exceed amount to \$9,900,000. In November 2021, the Board of Supervisors approved the Second Amendment to the contract, extending the term by seven months through June 2022, and increasing the not-to-exceed amount to \$15,622,000 (File 21-1083). In July 2022, the Board of Supervisors retroactively approved the Third Amendment to the contract, extending the term by two years through June 2024, and increasing the not-to-exceed amount to \$39,600,000 (File 22-0422). In June 2023, OCA executed the Fourth Amendment to the contract, which amended collection rates but did not change the contract term or not-to-exceed amount. The contract expires on June 30, 2024 with no option to extend.

**Solicitation**

In June 2022, OCA issued a Request for Proposals (RFP) to solicit proposals for a new refuse collection contract at City facilities. OCA received two proposals and an evaluation panel scored them, as shown in Exhibit 1 below.

**Exhibit 1: Proposals and Scores from RFP**

<b>Proposer</b>	<b>Written Proposal</b>	<b>Interview</b>	<b>Price Proposal</b>	<b>Total Score</b>
Allied Waste	40.175	7.658	40.000	<b>87.833</b>
Recology	43.873	8.493	34.824	<b>87.189</b>

Source: OCA

Allied Waste was deemed the highest scoring proposer. OCA issued a Notice of Intent to Award the contract to Allied Waste on January 11, 2023.

<sup>1</sup> OCA had originally awarded a contract to Recology for a term of six years and an amount not to exceed \$62.5 million (File 20-1213). However, the Board of Supervisors referred the contract back to the Budget and Finance Committee after the U.S. Attorney’s Office charged a Recology executive with bribing the former Public Works Director to raise residential refuse collection rates. OCA then entered into a short-term contract with Recology to continue refuse collection at City facilities.



The proposed Allied Waste contract required California Environmental Quality Act (CEQA) review, which took approximately one year and incurred approximately \$115,000 in City costs, including City Planning staff costs and consulting fees. In February 2024, OCA submitted the Allied Waste contract to the Board of Supervisors for approval (File 24-0107). On February 27, 2024, prior to Board of Supervisors approval, Recology issued a letter to OCA with copies to members of the Board of Supervisors, questioning Allied Waste's pricing on Aggregate 3 (the collection of large compactors), namely that the collection rates did not increase as container sizes increased. Allied Waste subsequently indicated to the City it could not proceed with the contract at the proposed rates for Aggregate 3 and withdrew its proposal.<sup>2</sup> In a competitive solicitation process, bidders certify that the information in their proposals is accurate and are bound to the rates they propose and are evaluated on. OCA then terminated negotiations with Allied Waste and engaged with Recology, the second highest-scoring proposer, about a new contract for refuse collection at City facilities. To ensure that service continues while the contract is negotiated, OCA and Recology agreed to extend the existing contract through October 2024.<sup>3</sup>

### DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Fifth Amendment to the City's contract with Recology San Francisco, Recology Sunset Scavenger, and Recology Golden Gate<sup>4</sup> (together "Recology"), increasing the not to exceed amount by \$4,200,000, for a total not to exceed \$43,800,000, and extending the term by four months through October 2024.

Recology has agreed to maintain the existing contract pricing over the proposed four-month extension term. Under the contract, Recology provides the following services:

- Collection and processing of refuse (recyclables, compostables, and trash) generated by all City departments within San Francisco city limits;
- Refuse bins for both interior and exterior collection;
- Identifying opportunities to reduce the level of refuse service and eliminate secondary charges to decrease costs to departments; and
- Providing reports on recovery rates and non-compliance with proper separation of recyclables, compostables, and trash.

City departments determine the frequency for each site's refuse collection.

In May 2022, the Controller's Office issued a Public Integrity Review report finding that Recology had netted \$23.4 million in profits over the allowed 9 percent profit margin from 2018 through 2021, even after payment of \$101 million from a settlement related to overcharging ratepayers

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<sup>2</sup> Since the final RFP scores were very close, Recology may have been the highest scoring proposer if Allied Waste had submitted slightly higher rates in its proposal.

<sup>3</sup> The solicitation waiver authorizing the original contract on a sole-source basis has been amended to reflect the not-to-exceed amount of the contract amendment.

<sup>4</sup> Recology Sunset Scavenger and Recology Golden Gate are collection companies that service different areas of the city. Recology San Francisco is the company that owns the transfer station and recyclables processing facility where collected material is handled.

(File 21-0329). The report recommended that (1) Recology deposit the excess \$23.4 million profits, and any other excess profits found from reviews of prior years, into a balancing account; (2) use the balancing account to offset future rate increases, or to stabilize rates during volatile years; and (3) Recology’s rate reports accurately and timely identify when rates exceed or fall below the allowable amount and promptly adjust the balancing account. According to Mark de la Rosa, Controller’s Office Director of Audits, Recology has complied with these recommendations.

**FISCAL IMPACT**

The proposed Fifth Amendment would increase the not-to-exceed amount of the Recology contract by \$4,200,000, for a total not to exceed \$43,800,000. Actual and projected contract expenditures are shown in Exhibit 2 below.

**Exhibit 2: Actual and Projected Contract Expenditures**

Actual Expenditures (through 3/19/24)	\$35,786,901
Average Monthly Expenditures	899,833
Remaining Months	7.43
Projected Expenditures (through 10/31/24)	6,685,146
<i>Total Actual and Projected Expenditures</i>	<i>\$42,472,047</i>
Contingency (20% of Projected Expenditures)	1,337,029
<b>Total Not to Exceed (Rounded to Nearest \$100,000)</b>	<b>\$43,800,000</b>

Source: OCA

The proposed not-to-exceed amount includes a 20 percent contingency to account for any new refuse collection locations, increased collection frequency, or to allow a further extension of the contract. According to Sailaja Kurella, OCA Director, the contingency was increased from 15 percent to 20 percent to ensure that the not-to-exceed amount would be sufficient to cover expenditures through October 2024. The contract is funded by the various City departments based on the amount of refuse collection service used.

**Rates for City Services**

The City’s original contract with Recology used the Uniform Commercial Rates, which are regulated by the City’s Refuse Rate Board following voter approval of Proposition F in June 2022. In the Third Amendment to the contract, rates no longer tracked the Uniform Commercial Rates but were instead escalated by the regional Consumer Price Index (CPI). The contract’s rates escalated by five percent in FY 2022-23 and 4.2 percent in FY 2023-24. The proposed Fifth Amendment maintains the contract’s FY 2023-24 rates, which are now 0.8 percent lower than Recology’s Uniform Commercial Rates.

**RECOMMENDATION**

Approve the proposed resolution.