

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

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

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TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: October 22, 2014 Budget and Finance Committee Meeting

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Item 2 File 14-1055	Department: Public Utilities Commission
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The Public Utilities Commission (PUC) is requesting the release of \$33,490,259 in Water Revenue Bonds previously appropriated and reserved by the Budget and Finance Committee for the Regional Groundwater Storage and Recovery project. The Budget and Finance Committee reserved \$33,490,259 for construction costs until the Environmental Impact Report (EIR) was completed and construction could begin. The Planning Commission certified the EIR on August 7, 2014, and a resolution adopting the EIR is calendared for the October 22, 2014 Budget and Finance Committee meeting. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The purpose of Regional Groundwater Storage and Recovery (GSR) project is to balance the use of both groundwater and surface water in the South Westside Basin to increase dry-year groundwater availability. Over time, the reduced groundwater pumping in wet-years would result in storage of up to 60,500 acre-feet of water for use in dry-years. • To extract the stored groundwater, 16 recovery wells, well stations, pumps and associated piping would be constructed as part of the GSR project. The wells could extract the stored groundwater at a rate of up to 7.2 million gallons per day • The Regional Groundwater Storage and Recovery project is one project in the PUC's Water System Improvement Program (WSIP), a \$4,765,000,000, multi-year capital program to upgrade the City of San Francisco's regional and local drinking water systems. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The Board of Supervisors previously appropriated \$113,580,000 in Water Revenue Bonds for the Regional Groundwater Storage and Recovery project. Of that, the Budget and Finance Committee reserved \$33,490,259 allocated to construction costs until the Environmental Impact Report (EIR) was completed (File 10-0337). • According to PUC, release of the requested \$33,490,259 will fully fund the Regional Groundwater Storage and Recovery project. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the release of \$33,490,259, subject to Board of Supervisors approval of the Environmental Impact Report (File 14-0945). 	

MANDATE STATEMENT

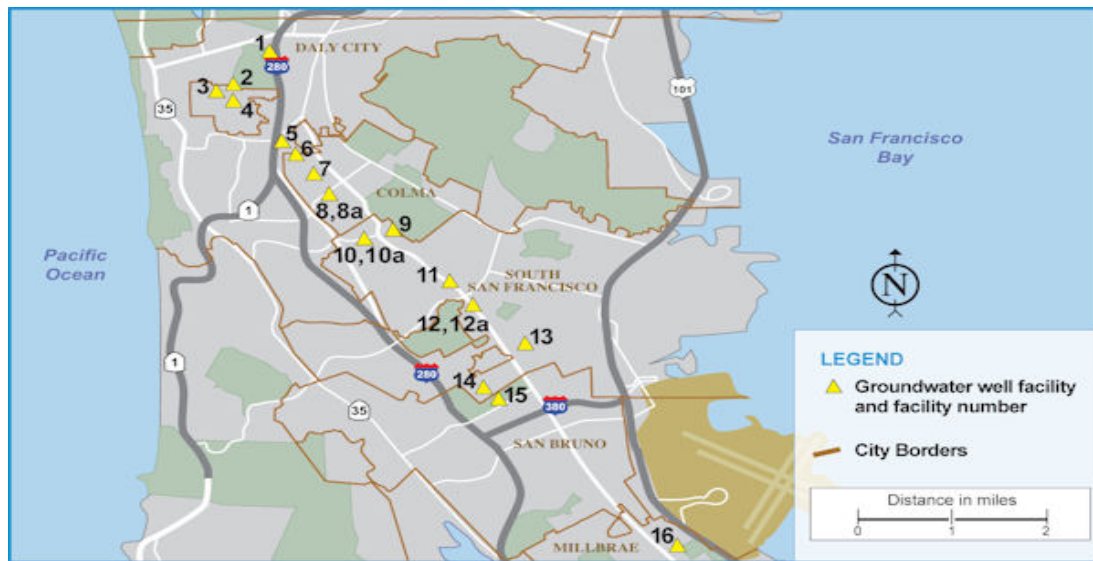
Section 3.3 of the City's Administrative Code provides that the committee of the Board of Supervisors that has jurisdiction over the budget (i.e., Budget and Finance Committee) may place requested expenditures on reserve, which are then subject to release by the Budget and Finance Committee.

BACKGROUND

Regional Groundwater Storage and Recovery (GSR)

The Public Utilities Commission (PUC) Regional Groundwater Storage and Recovery project is part of the PUC's Water System Improvement Program (WSIP), a multi-year capital program to upgrade the City of San Francisco's regional and local drinking water systems. The purpose of the Regional Groundwater Storage and Recovery project is to develop dry-year water supplies through conjunctive management of the South Westside Groundwater Basin in partnership with California Water Services Company, the City of Daly City and the City of San Bruno. The project would balance the use of both groundwater and surface water to increase dry-year water supplies. During years of normal or heavy rainfall, the project would provide additional PUC surface water to the partner agencies in order to reduce the amount of groundwater pumped from the Basin. Over time, the reduced pumping would result in storage of up to 60,500 acre-feet of water. The dry-year groundwater supply would be blended with water from the PUC's regional water system and would as a result increase the available water supply to all regional water system customers during dry years.

To extract the stored groundwater, the PUC will construct 16 new groundwater well facilities within the South Westside Groundwater Basin. Each of the well facilities would consist of a groundwater well pump station, distribution piping and utility connections. The wells could extract the stored groundwater at a rate of up to 7.2 million gallons per day. The wells will be connected to three wholesale customer water systems on the Upper Peninsula (California Water Services Company, the City of Daly City and the City of San Bruno.) and to the PUC transmission system. Disinfection will be required for all wells and treatment may be required at some of the wells for the removal of manganese. These 16 well facilities are located at various places as shown in a map on the following exhibit.

Exhibit: Regional Groundwater Storage and Recovery Wells

The Board of Supervisors previously appropriated \$113,580,000 in Water Revenue Bonds for the Regional Groundwater Storage and Recovery (GSR) project.¹ Of that amount, the Budget and Finance Committee reserved \$33,490,259 allocated to construction costs until the Environmental Impact Report (EIR) was completed (File 10-0337). The Planning Commission certified the EIR on August 7, 2014, and a resolution adopting the EIR is calendared for the October 22, 2014 Budget and Finance Committee meeting.

DETAILS OF PROPOSED LEGISLATION

Based on completion of the EIR report, the PUC is now requesting the release of \$33,490,259 of Water Revenue Bond proceeds previously appropriated by the Board of Supervisors and placed on Budget and Finance Committee reserve for the Regional Groundwater Storage and Recovery project, a project to develop dry year water supplies, through the construction of 16 new ground water well facilities.

FISCAL IMPACT

The total Regional Groundwater Storage and Recovery project budget, approved by the Public Utilities Commission in August 2014, is \$113,580,000, as shown in Table 1 below. The \$113,580,000 was previously appropriated by the Board of Supervisors from Water Revenue Bond proceeds. According to Mr. Carlos Jacobo, PUC Budget Director, this project budget

¹ Files 10-0337, 11-1031, 13-0483 appropriated funds for GSR; additional funds for GSR were funded from previous WSIP appropriations in files 92-10, 104-03, 65-04, 54-05, 196-05, 89-06, 22-07, 53-08, 247-08, 311-08, 37-09, and 230-11.

includes the \$33,490,259 previously appropriated by the Board of Supervisors and placed on reserve by the Bond's Budget and Finance Committee.

Table 1: Regional Groundwater Storage and Recovery Project Budget

Project Phase	Approved Budget	Expended to date	Unexpended Balance
Project Management	\$6,757,119	\$3,407,448	\$3,149,671
Planning	2,031,881	2,031,881	0
Environmental Review	4,755,000	3,895,262	735,738
Right-of-Way	2,118,000	838,405	1,279,595
Design	10,852,000	9,832,280	1,343,720
Bid and Award	373,000	10,866	362,134
Construction Management	11,324,000	500,785	10,823,215
Environmental Mitigation	732,196	4,438	727,758
Subtotal, Project Planning, Design, Management, Environmental, Other	\$38,943,196	\$20,521,365	\$18,421,831
Prior Construction (Completed)	4,388,804	4,393,854	(5,050)
Construction 13 Wells (Includes 10% Contingency)	57,156,000	0	57,156,000
Construction 2 Wells (Includes 10% Contingency) ¹	8,382,000	0	8,382,000
Other Construction	4,710,000	0	4,710,000
Subtotal, Construction	\$74,636,804	\$4,393,854	\$70,242,950
Total	\$113,580,000	\$24,915,219	\$88,664,781

Source: PUC

¹ Located in or near Golden Gate National Cemetery

PUC has expended \$24,915,220, as shown in Table 1 above, for project planning, design, environmental review, right of way easement, and construction costs for test well drilling. According to Mr. Greg Bartow, PUC Groundwater Manager, the design phase is complete for fourteen of the sixteen wells. Two more wells are still to be designed, thus the overall design phase is 88% complete.

PUC advertised a Request for Bids on September 22, 2014 for a contractor to construct 13 of the 16 groundwater well facilities, as identified in the map in the Exhibit above in Daly City, Colma, San Bruno, South San Francisco, and Millbrae beginning in early 2015, with a construction cost budgeted at \$57,156,000, including a 10 percent contingency, as shown in the table above.

The 14th groundwater well facility is on hold and may not be needed pending the outcome of the above work. The 15th and 16th groundwater well facilities are planned for the Golden Gate National Cemetery in San Bruno on land owned by the U.S. Department of Veterans Affairs. PUC is currently working with the Department of Veterans Affairs on the design and specific

location of the groundwater well facility with the Golden Gate National Cemetery. PUC expects to advertise the Request for Bids by early 2016 to select a construction contractor for the Golden Gate National Cemetery groundwater well facilities (or alternate nearby locations) and begin construction in mid-2016. At this time, Mr. Bartow expects the Regional Groundwater Storage and Recovery project to be completed July 2018 within the previously approved budget of \$113,580,000.

According to Mr. Jacobo, the release of the requested \$33,490,259 in previously appropriated Water Revenue Bonds will fully fund the \$113,580,000 Regional Groundwater Storage and Recovery project. As Table 1 above shows, the balance of the project budget has an unexpended balance of \$88,664,780. Such funds are expected to be fully expended by July 2018. The PUC will recover project costs through its water sales agreements with its regional partners benefiting from this project.

RECOMMENDATION

Approve the release of \$33,490,259, subject to Board of Supervisors' approval of the Environmental Impact Report (see File 14-0945 on the Budget and Finance Committee Calendar of 10/22/2014).

Item 4 File 14-1000	Department: Department of Public Health
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objective</p> <ul style="list-style-type: none"> • The proposed substitute supplemental appropriation ordinance would appropriate \$602,400 from the General Fund Reserve to DPH for HIV-prevention support in FY 2014-15, including (a) \$452,400 for new Navigator positions to assist patients in accessing pre-exposure prophylaxis medication such as Truvada, to assist in the prevention of HIV infection transmission, and (b) \$150,000 for an education awareness program that supports education, data collection, training for patients and providers, and/or a hotline for patients who take this medication. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • New Navigator positions would be selected by DPH through a Request for Proposal (RFP) process for non-profit organizations to target HIV-prevention and support in community-based organizations, by assisting patients with: (1) Insurance and Medical Provider Selection, (2) Paperwork Assistance, (3) Case Management, and (4) Education. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The \$452,400 is estimated to fund approximately 12 Navigator positions at an estimated annual salary and fringe benefit cost of \$65,000 per position for approximately seven months in FY 2014-15, or from approximately December 1, 2014 through June 30, 2015. The total annual cost of the 12 Navigator positions is estimated at \$780,000. • The actual costs of each Navigator, the number of Navigators, the location of the Navigators and the timing of the hiring of the Navigators will depend on the results of the RFP process, yet to be developed and conducted by DPH. • The requested \$150,000 to create educational and media materials on safe sex practices and increase community awareness of the availability of Truvada is also dependent on the results of a RFP process, which has also not yet been developed or conducted by DPH. • The General Fund Reserve currently has a balance of \$58,020,643. There is also a pending ordinance to appropriate \$2,400,000 of General Fund Reserve for immigrant defense services for youth. Approval of this request of \$602,400, and the \$2,400,000 pending legislation, would leave a remaining General Fund Reserve balance of \$55,018,243. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed substitute ordinance to place the requested \$602,400 in General Fund monies on Budget and Finance Committee reserve, pending submission to the Budget and Finance Committee of specific budget details and implementation plans based on the results of the RFP processes to obtain Navigators and educational materials. • Approval of the proposed substitute ordinance, as amended, is a policy decision for the Board of Supervisors. 	

MANDATE STATEMENT

In accordance with Charter Section 9.105, after the Controller certifies the availability of funds, amendments to the Annual Appropriation Ordinance are subject to the Board of Supervisors approval.

BACKGROUND

The Department of Public Health (DPH) estimates that there are approximately 60,000 Human Immunodeficiency Virus (HIV)-negative people in San Francisco who are at high-risk of becoming HIV positive.¹

Manufactured by the pharmaceutical company Gilead Sciences Inc. (Gilead), Truvada is a new pre-exposure prophylaxis drug, targeted to HIV-negative people at high-risk of becoming HIV positive. According to DPH, Truvada is 90% effective in preventing the transmission of HIV in adults. However, Truvada currently costs approximately \$15,000 a year, a portion of which may be paid by an individual's insurance depending on the type of coverage. According to Ms. Colleen Chawla, Director of Policy and Planning for DPH, Anthem Blue Cross (a Medi-Cal and private insurance provider), Kaiser, Blue Shield, Health Net, Chinese Community Health Plan and San Francisco Health Plan (a Medi-Cal provider) all cover Truvada, at varying costs. Truvada is currently free for individuals with Medi-Cal coverage.

DETAILS OF PROPOSED LEGISLATION

The proposed substitute² supplemental appropriation ordinance would appropriate \$602,400 from the General Fund Reserve to DPH for HIV-prevention support in FY 2014-15, as summarized in Table 1 below.

Table 1: Sources and Uses of Funds

Sources of Revenues	
General Fund Reserve	\$602,400
Uses of Expenditures	
Professional and Specialized Services-access to medications	\$452,400
Professional and Specialized Services-education awareness	<u>150,000</u>
Subtotal	\$602,400

¹ San Francisco Department of Public Health, "HIV/AIDS Epidemiology Annual Report: HIV Epidemiology Section," 2010, Table 1.5, page 7.

² Currently pending before the Budget and Finance Committee, the original File 14-1000 supplemental appropriation ordinance totaled \$801,600. However, the Office of the Sponsor of the proposed ordinance advises that the Controller's Office drafted a substitute ordinance specifying a total amount of \$602,400, which will be introduced at the October 22, 2014 Budget and Finance Committee meeting. This Budget and Legislative Analyst report addresses the substitute ordinance.

The proposed substitute ordinance is intended to appropriate (a) \$452,400 for access to pre-exposure prophylaxis medication such as Truvada, to assist in the prevention of HIV infection transmission, and (b) \$150,000 for an education awareness program that supports education, data collection, training for patients and providers, and/or a hotline for patients who take this medication.

\$452,400 for access to pre-exposure prophylaxis medication

According to Ms. Chawla, \$452,400 of the total \$602,400 would be used to pilot a new program to fund Navigator positions to help HIV-negative patients learn about comprehensive preventative care and to obtain new effective drug treatments like Truvada.

According to the Office of the Sponsor of the proposed ordinance, such Navigator positions would be selected by DPH through a Request for Proposal (RFP) process targeted to existing non-profit organizations which would place these Navigator positions in community-based organizations, such as Glide Memorial, Mission Neighborhood Health Center, Planned Parenthood or the AIDS magnet clinic. The new Navigator positions would have the following four primary responsibilities:

- 1) Insurance and Medical Provider Selection: Navigators would help HIV-negative patients assess their existing insurance coverage, costs, co-payments and deductibles and assist patients in enrolling in the most appropriate healthcare insurance plan, attempting to ensure that medications including Truvada, are covered by an insurance plan, and then connecting patients with a covered medical provider who may prescribe Truvada.
- 2) Paperwork Assistance: Navigators would assist patients in completing required insurance, co-payments, prescription and drug manufacturer program assistance paperwork to receive preventative medication at the lowest possible cost.
- 3) Case-management: Navigators would follow-up with HIV-negative patients to ensure the prescribed preventative medications and measures are being followed.
- 4) Education: Navigators would advocate for safe-sex practices, such as the use of condoms, and provide other educational materials.

A primary responsibility of the Navigators would be to help HIV-negative patients enroll in an insurance plan that covers the cost of Truvada, with minimum co-payments and direct costs by the patient. For example, individuals who currently enroll in a Covered California Bronze plan may have co-payments between \$450 and \$520 a month for use of Truvada, with varying monthly premium costs. In contrast, individuals currently enrolled in a Covered California Silver plan may have co-payments between \$71 and \$250 a month, with varying monthly premium costs. In addition, Gilead currently offers \$300 a month in co-payment assistance for HIV-negative patients using Truvada.

\$150,000 for an education awareness program

DPH would use the remaining \$150,000 out of the total requested \$602,400 to create educational and media materials on safe sex practices. According to the Office of the Sponsor of the proposed ordinance, DPH would select an organization through a similar RFP process to

create print and other media campaigns, such as a patient hotline, in order to increase community awareness regarding the availability of Truvada.

FISCAL IMPACT

The proposed substitute ordinance would appropriate \$452,400 to DPH to contract with various nonprofit organizations, based on the results of a RFP process, to hire Navigator positions to assist people at high-risk of becoming HIV positive towards effective preventative measures. As shown in Table 2 below, this \$452,400 General Fund request is estimated to fund approximately 12 Navigator positions based on an estimated annual salary and fringe benefit cost of \$65,000 per position and assuming costs would be incurred for approximately seven months in FY 2014-15, or from approximately December 1, 2014 through June 30, 2015. As shown in Table 2 below, the total annual cost of the 12 positions is \$780,000.

Table 2: Estimated Cost for 12 Navigator Positions in FY 2014-15

Navigator Positions	Estimated Cost
Annual Salary	\$50,000
Fringe Benefits (30% of salary)	<u>15,000</u>
Subtotal Annual Position	\$65,000
12 Navigator Positions-Annual Cost in FY 2014-15	\$780,000
Prorated for approximately 7 Months in FY 2014-15	\$452,400

However, the actual costs of each Navigator, the number of Navigators, the location of the Navigators and the timing of the hiring of the Navigators will depend on the results of the RFP process, yet to be developed and conducted by DPH.

The proposed substitute ordinance would also appropriate \$150,000 to create educational and media materials on safe sex practices and increase community awareness of the availability of Truvada. The specific use and allocation of the \$150,000 will also be dependent on the results of a RFP process, which has also not yet been developed or conducted by DPH.

Given that the specific allocation of the requested \$602,400 (\$452,400 + \$150,000) General Fund monies to be appropriated has not yet been determined, the Budget and Legislative Analyst recommends that the entire \$602,400 be placed on Budget and Finance Committee reserve, pending submission of specific budget details and implementation plans based on the results of the RFP process.

The General Fund Reserve currently has a balance of \$58,020,643. There is also a pending ordinance to appropriate \$2,400,000 of General Fund Reserve for immigrant defense services for youth. Approval of this request of \$602,400, in addition to the \$2,400,000 pending legislation, would leave a remaining General Fund Reserve balance of \$55,018,243.

POLICY CONSIDERATIONS

The proposed ordinance is a one-time appropriation of \$602,400 from the General Fund Reserve to DPH in FY 2014-15 for HIV-prevention support and education. Although the position and role of a Navigator would be new to the DPH budget, the primary distinction of such Navigator positions is assisting patients to obtain Truvada. Ms. Chawla notes that the Navigators' other responsibilities of financial management and enrolling of patients into the appropriate insurance coverage is similar to DPH's existing 2587 Health Worker positions, who address client's general financial management and enrollment of patients into appropriate insurance plans.

RECOMMENDATIONS

1. Amend the proposed substitute ordinance to place the requested \$602,400 in General Fund monies on Budget and Finance Committee reserve, pending submission to the Budget and Finance Committee of specific budget details and implementation plans based on the results of the RFP processes to obtain Navigators and educational materials.
2. Approval of the proposed substitute ordinance, as amended, is a policy decision for the Board of Supervisors.