

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

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TO: Budget and Finance Sub-Committee
FROM: Budget and Legislative Analyst 
SUBJECT: July 17, 2019 Budget and Finance Sub-Committee Meeting

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<p>Item 1 File 19-0656</p>	<p>Department: Public Utilities Commission (PUC)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • Charter Section 9.118(a) requires Board of Supervisors approval for agreements in which revenues are anticipated to be \$1 million or more. The proposed ordinance would waive this Charter requirement, delegating authority to the San Francisco Public Utilities Commission SFPUC General Manager to enter into one or more agreements to sell Low Carbon Fuel Standard Credits accrued by San Francisco Municipal Transportation Agency SFMTA when revenue from such agreements equals \$1 million or more. • The proposed ordinance also establishes a Low Carbon Standard Credits Sales Fund to receive funds from the credit sales. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • SFMTA uses electricity supplied by the San Francisco Public Utilities Commission (SFPUC) to operate the electric trolley buses, cable cars, and light rail. All of this electricity comes from hydropower generated by Hetch Hetchy Water and Power, and therefore, is a zero-carbon energy source. • The California Air Resources Board adopted Low Carbon Fuel Standards in 2009, which set low carbon fuel targets for transportation providers. Providers with fuel use below these targets can receive Low Carbon Fuel Standard Credits which they can then sell. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • SFPUC has not previously sold Low Carbon Fuel Standard Credits. According to SFPUC, SFMTA accumulated approximately 18,000 credits per year between Calendar Year (CY) 2016 and CY 2018 or 54,000 credits over the three-year period. Based on an average price of \$160 per credit in CY 2018, the 54,000 credits would be equal to approximately \$8.6 million. Based on the average price of \$186 for the first two quarters of CY 2019, the 54,000 credits would be equal to approximately \$10.0 million. 	
<p style="text-align: center;">Policy Consideration</p>	
<ul style="list-style-type: none"> • Approval of the proposed ordinance is a policy matter for the Board of Supervisors because it would delegate the Board’s authority under Charter Section 9.118(a) to the SFPUC General Manager to enter agreements to sell Low Carbon Fuel Standard Credits accrued by SFMTA when revenue from such agreements equals \$1 million or more. If the Board of Supervisors approves the proposed ordinance, the Board should request the SFPUC to (a) report on the SFPUC’s protocols for selling Low Carbon Fuel Standard Credits, and (b) report annually on the sale of Low Carbon Fuel Standard Credits, including the number sold, the price per credit, and the total amount of the sales 	
<p style="text-align: center;">Recommendations</p>	
<ul style="list-style-type: none"> • Approval of the proposed ordinance is a policy matter for the Board of Supervisors. • If the Board of Supervisors approves the proposed ordinance, the Board should request the SFPUC to (a) report on the SFPUC’s protocols for selling Low Carbon Fuel Standard Credits, and (b) report annually on the sale of Low Carbon Fuel Standard Credits, including the number sold, the price per credit, and the total amount of the sales. 	

MANDATE STATEMENT

City Charter Section 9.118(a) states that any contract entered into by a department, board or commission that has anticipated revenues of \$1 million or more is subject to Board of Supervisors approval.

BACKGROUND

The San Francisco Municipal Transportation Agency (SFMTA) uses electricity supplied by the San Francisco Public Utilities Commission (SFPUC) to operate the electric trolley buses, cable cars, and light rail. All of the electricity supplied by SFPUC to the SFMTA comes from hydropower generated by Hetch Hetchy Water and Power, and therefore, is a zero-carbon energy source.

The California Air Resources Board adopted Low Carbon Fuel Standards in 2009, which set low carbon fuel targets for transportation providers. Transportation providers using fuel below the low carbon fuel targets can receive Low Carbon Fuel Standard Credits which they can then sell.

Memorandum of Understanding (MOU)

SFMTA registered with the Low Carbon Fuel Standards Program in September 2016 soon after the program became fully operational and began accumulating Low Carbon Fuel Standard Credits. SFMTA and SFPUC entered into an MOU in 2017 in which the SFPUC would sell the credits on behalf of the SFPUC and SFMTA with proceeds used to fund SFMTA sustainability and climate action initiatives, and SFPUC clean energy projects. The proceeds from the sale of the Low Carbon Fuel Standard Credits were to be shared equally between the two agencies.

Low Carbon Fuel Standard Credits

Each Low Carbon Fuel Standard Credit is equivalent to one ton of CO₂ emissions. The price per carbon credit has increased since 2017. The average price per Low Carbon Fuel Standard Credit and total number of Low Carbon Fuel Standard Credits transacted in California are shown below.

Calendar Year	Total Number of Credits	Average Price per Credit
CY 2016	5,343,000	\$101
CY 2017	8,875,000	\$89
CY 2018	13,334,000	\$160

Source: California Air Resources Board Monthly Low Carbon Fuel Standard Credit Transfer Activity Report

The average price per credit for CY2019 Q1 and Q2 has further increased to \$186.

DETAILS OF PROPOSED LEGISLATION

Charter Section 9.118(a) requires Board of Supervisors approval for agreements in which revenues are anticipated to be \$1 million or more. The proposed ordinance would waive this Charter requirement, delegating authority to the SFPUC General Manager to enter into one or more agreements to sell Low Carbon Fuel Standard Credits accrued by SFMTA when revenue from such agreements equals \$1 million or more.

The proposed ordinance also establishes a Low Carbon Standard Credits Sales Fund to receive funds from the credit sales. Funds would be allocated equally to SFMTA and SFPUC in accordance with the 2017 MOU to be used for projects and operations that reduce the City's carbon footprint.

Process for Selling Low Carbon Fuel Standard Credits

SFPUC would sell carbon credits in batches through a Request for Bid process. All bidders must be registered with the California Air Resources Board, which tracks all Low Carbon Fuel Standard Credits and serves as a tracking/clearinghouse for carbon credit transactions. The transaction would be formalized through the LEAP¹ Low Carbon Fuel Master Agreement, which standardizes the terms, definitions, and other provisions of the transaction. The amount and price of all Low Carbon Fuel Standard Credit transactions are reported to the California Air Resources Board and publicly posted on the Board's web-site.

According to SFPUC staff, the SFPUC would monitor price and volume data reported on the California Air Resources Board website to determine optimal sales times. SFPUC would also develop protocols as needed, such as setting a minimum price and number of bidders for sales transactions, and reserving the right to not proceed with sales if the price is not sufficient. The sale of Low Carbon Fuel Standard Credits would be managed by the SFPUC's procurement group, which also manages electricity market transactions.

FISCAL IMPACT

SFPUC has not previously sold Low Carbon Fuel Standard Credits. According to SFPUC, SFMTA accumulated approximately 18,000 credits per year between Calendar Year (CY) 2016 and CY 2018 or 54,000 credits over the three-year period. Based on an average price of \$160 per credit in CY 2018, the 54,000 credits would be equal to approximately \$8.6 million. Based on the average price of \$186 for the first two quarters of CY 2019, the 54,000 credits would be equal to approximately \$10.0 million.

According to SFPUC staff, SFMTA is expected to accumulate an additional 25,000 (approximate) Low Carbon Fuel Standard credits in CY 2019, based on the SFPUC's documentation that SFMTA's energy needs are being served by zero-greenhouse gas renewable energy that meets California's renewable portfolio standards.

POLICY CONSIDERATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors because it would delegate the Board's authority under Charter Section 9.118(a) to the SFPUC General Manager to enter agreements to sell Low Carbon Fuel Standard Credits accrued by SFMTA when revenue from such agreements equals \$1 million or more. If the Board of Supervisors approves the proposed ordinance, the Board should request the SFPUC to (a) report on the SFPUC's protocols for selling Low Carbon Fuel Standard Credits, and (b) report annually on the

¹ "Leadership for Energy Automated Processing (LEAP)"

sale of Low Carbon Fuel Standard Credits, including the number sold, the price per credit, and the total amount of the sales.

RECOMMENDATIONS

1. Approval of the proposed ordinance is a policy matter for the Board of Supervisors.
2. If the Board of Supervisors approves the proposed ordinance, the Board should request the SFPUC to (a) report on the SFPUC's protocols for selling Low Carbon Fuel Standard Credits, and (b) report annually on the sale of Low Carbon Fuel Standard Credits, including the number sold, the price per credit, and the total amount of the sales.

Item 2 File 19-0579 <i>(Continued from July 10, 2019)</i>	Department: Public Works
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <p>The proposed resolution (1) approves a revenue agreement between Public Works and JC Decaux for an automatic public toilet and public service kiosk program with anticipated revenues of over \$12,950,000 over a term of 21.5 years commencing July 1, 2019; and (2) affirms the Planning Department’s determination under the California Environmental Quality Act.</p> <p>Key Points</p> <ul style="list-style-type: none"> • Since 1994, JC Decaux has owned and maintained 25 public toilets and 114 advertising kiosks under an agreement with Public Works. • Public Works is seeking to replace the public toilets, which have been in place since the 1990s, and to expand potential lease options for the kiosks. • In mid-2015, Public Works issued an RFP for the program and received three bids, but the bids could not be evaluated due to a lack of clarity in the RFP. In April 2016, Public Works re-issued a revised RFP and JC Decaux was the only responsive bidder. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • In 2018, Public Works received a total of \$599,263 in fees and revenues from JC Decaux under the existing agreement. In 2019, the City will incur General Fund costs of \$2,402,223 for service attendants to monitor activities at 12 of the 25 public toilets. As a result, Public Works’ net revenues from the current arrangement are negative amounts. • Public Works is projected to receive approximately \$13,480,000 in revenues and fees over the 21.5-year term of the agreement. Since the City would provide attendant services for 12 public toilets in the first year of the agreement at a cost of approximately \$2.4 million and at 1 public toilet for the remainder of the term at a cost of approximately \$200,000 per year, the City’s net revenues would total approximately \$6,980,000 or an average of \$324,419 per year. <p>Recommendation</p> <ul style="list-style-type: none"> • Because the proposed agreement would result in positive revenues to the City, the Budget and Legislative Analyst recommends approval. 	

MANDATE STATEMENT

City Charter Section 9.118(a) states that contracts entered into by a department, board, or commission that (i) have anticipated revenues of \$1 million or more, or (ii) have anticipated revenues of \$1 million or more and require modifications, are subject to Board of Supervisors approval.

BACKGROUND

In 1994, San Francisco Public Works (Public Works) and JC Decaux San Francisco, LLC (JC Decaux) entered into an agreement for a public toilet and public service kiosk pilot program. Under the agreement, JC Decaux installs, owns, and maintains the toilets and kiosks, in exchange for the right to sell advertisements. In December 1998, the Board of Supervisors approved an expansion of the agreement (File No. 98-1599) beyond the pilot phase, extending the term through October 17, 2016. The Board of Supervisors subsequently approved four additional amendments to the agreement¹, extending the term through January 25, 2019.

Public Works issued a Request for Proposals (RFP) in mid-2015 for vendors to continue the program and received three bids: JC Decaux, Intersection, and Clear Channel. However, because the RFP lacked clarity, the bids could not be evaluated. As a result, Public Works rejected all bids. On April 29, 2016, Public Works re-advertised the revised RFP, and JC Decaux was the only responsive bidder.

According to Ms. Julia Dawson, Deputy Director of Finance and Administration at Public Works, Public Works is seeking to replace the public toilets, which have been in place since the 1990s, and to expand potential lease options for the kiosks. According to Ms. Dawson, currently the kiosks can only be leased as newsstands, which have decreased in use substantially over the term of the existing agreement.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (1) approves a revenue agreement between Public Works and JC Decaux for an automatic public toilet and public service kiosk program with anticipated revenues of over \$12,950,000 over a term of 21.5 years commencing July 1, 2019; and (2) affirms the Planning Department's determination under the California Environmental Quality Act.

Under the proposed agreement, JC Decaux will maintain and operate automatic public toilets free of charge for the public on public right of ways and public land, replace and upgrade all 25 existing and approved automatic public toilets with a new design, compensate the City in the form of guaranteed fee payments and potential payments tied to gross advertising revenue, display public service messages, and provide 48,180 hours of attendant services annually in exchange for the right to operate up to 114 advertising kiosks on public right of ways, replace

¹ Second Amendment (File 16-1019; Resolution No. 447-16); Third Amendment (File 17-0994; Resolution No. 409-17); Fourth Amendment (File 18-0135; Resolution No. 106-18); Fifth Amendment (File 18-0964; Resolution No. 386-18).

and upgrade 114 existing advertising kiosks, and add digital screens to its current advertising program over the course of a 21.5 year term.

FISCAL IMPACT

Under the existing agreement with JC Decaux, Public Works receives both an annual base fee and 7 percent of advertising revenue each calendar year. The base fee was \$25,000 at the beginning of the agreement in 1998 and has been adjusted annually based on the Consumer Price Index (CPI), to the most recent amount of \$45,460 in 2019. In 2018, the total advertising revenue was \$7,911,475, and the revenue share paid to Public Works was approximately \$553,803. Between the base fee and the revenue share, Public Works received \$599,263 in total in 2018. Public Works currently pays for service attendants to monitor activities at 12 of the 25 public toilets using General Fund monies at a General Fund cost to the City of \$2,402,223 in calendar year 2019. JC Decaux currently provides maintenance services for the public toilets and would continue to provide maintenance services under the proposed agreement. As a result, Public Works' net revenues from the current arrangement are negative amounts since the attendant costs exceed the base fee and advertising revenue share.

Under the proposed agreement, there would be a 1.5-year transition period during which time JC Decaux would build out the new public toilets and kiosks at an estimated cost to JC Decaux of approximately \$28.3 million. During this period, Public Works would receive (1) a one-time payment of \$1,500,000; (2) a non-advertising percentage fee of 50 percent of non-advertising revenue², if any, from leasing space on or inside the public service kiosk or public toilet; (3) an annual administrative fee of \$275,000 beginning on the first anniversary of the start date; and (4) an advertising revenue percentage fee of 50 percent on revenue earned by JC Decaux above the threshold amount of \$16,000,000 per year. As shown in Table 1 below, Public Works is projected to receive \$1,775,000 during the 1.5-year transition period, since the gross advertising revenue is projected to be below the threshold amount of \$16,000,000 and any non-advertising revenue would be generated after the new public toilets and kiosks are installed.

Following the transition period, for the remaining 20 years of the agreement term, Public Works would receive (1) an annual administrative fee of \$275,000, adjusted annually by CPI; (2) in-kind attendant services of up to \$2,125,000 per year³, adjusted annually by CPI, which is the equivalent of 11 locations; (3) an advertising revenue percentage fee of 50 percent on revenue generated above the threshold amount of \$16,000,000 per year, adjusted by CPI annually beginning in the sixth contract year; and (4) a non-advertising percentage fee of 50 percent of non-advertising revenue from leasing space on or inside the public service kiosk or public toilet.

² According to Ms. Dawson, the options for non-advertising revenue under the proposed agreement are broader than under the existing agreement. For example, Ms. Dawson reports that JC Decaux has been approached by telecommunications carriers interested in placing repeater devices on the public toilets and kiosks, which is not allowed under the existing agreement and would be allowed under the proposed agreement.

³ The proposed agreement provides an option for the City to receive a service fee in cash if the City determines that a decreased amount of attendant services are needed at the public toilets, with the amount determined by mutual agreement between JC Decaux and Public Works.

As shown in Table 1 below, Public Works is projected to receive approximately \$13,480,000 in revenues and fees over the 21.5-year term of the agreement. Since the City would provide attendant services for 12 public toilets in the first year of the agreement at a cost of approximately \$2.4 million and at 1 public toilet for the remainder of the term at a cost of approximately \$200,000 per year, the City's net revenues would total approximately \$6,980,000 or an average of \$324,419 per year. If the assumptions shown in Table 1 are realized, Public Works would begin receiving positive net revenues for the program in Year 2, unlike the current arrangement which is costing the department more than it is receiving in revenues. Because the proposed agreement would result in positive revenues to the City, the Budget and Legislative Analyst recommends approval.

Table 1: Projected Annual Revenues Less Service Costs (\$ in millions)

Description	Baseline ^a	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22 (half)	Total
Gross Advertising Revenue	8.50	8.93	9.80	10.98	12.29	13.65	15.01	16.21	17.22	17.90	18.44	18.99	19.56	20.15	20.76	21.38	22.02	22.68	23.36	24.06	24.78	25.53	12.77	
Year-over-year % change		5%	10%	12%	12%	11%	10%	8%	6%	4%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%		
City Revenues and Fees																								
City Advertising Revenue Share ^b	0.60								0.12	0.21	0.22	0.22	0.23	0.24	0.24	0.25	0.26	0.27	0.27	0.28	0.29	0.30	0.15	3.55
City Non-Advertising Revenue ^c			0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.52
Administrative Fee ^d	0.04	0.28	0.28	0.28	0.29	0.30	0.31	0.32	0.33	0.34	0.35	0.36	0.37	0.38	0.39	0.40	0.42	0.43	0.44	0.45	0.47	0.48	0.24	7.91
One-Time Payment		1.50																						1.50
Total City Revenue and Fees	0.64	1.78	0.30	0.30	0.31	0.32	0.33	0.34	0.47	0.57	0.59	0.60	0.63	0.65	0.66	0.68	0.71	0.73	0.74	0.76	0.79	0.81	0.41	13.48
City Expenditures																								
Attendant Services ^d	(2.40)	(2.40)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)	(6.50)
City Net Revenue	(1.76)	(0.62)	0.30	0.30	0.31	0.32	0.33	0.34	0.47	0.57	0.59	0.60	0.63	0.65	0.66	0.68	0.71	0.73	0.74	0.76	0.79	0.81	0.41	6.98

^a Represents the current calendar year revenues, fees, and expenditures under the existing agreement.
^b Assumes that the threshold amount of \$16,000,000 will increase by 3 percent each year beginning in Year 6. Actual CPI adjustments to the threshold amount will vary.
^c Assumes that non-advertising revenues will be generated after the transition period and will increase by 3 percent each year. Actual annual non-advertising revenue changes will vary.
^d Assumes that the administrative fee of \$275,000 will increase by 3 percent each year. Actual CPI adjustments to the administrative fee will vary.
^d Subject to future Board of Supervisors appropriation approval.

RECOMMENDATION

Approve the proposed resolution.

<p>Item 3 File 19-0709 <i>(Continued from July 10, 2019)</i></p>	<p>Department: Health Service System (HSS)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • The proposed ordinance would approve the Health Service System’s health, vision, and dental plans as well as life insurance and long-term disability insurance plans and contribution rates for calendar year 2020. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • The SFHSS administers non-pension benefits, including health, vision, dental and other benefits, such as life and long-term disability insurance. The Health Service Board adopts the annual health, vision, dental and other insurance plans, and the respective plan premiums and premium equivalents to be paid by SFHSS employers and members. • The Health Service Board is required to conduct a survey of the 10 most populous California counties each year to determine the average of the health premium contributions made by these counties. Based on this survey, the average employer contribution for calendar year 2020 is \$705.92 per member per month, which is \$33.84 or approximately five percent more than the 10-county average monthly contribution of \$672.08 in 2019. • Compared to 2019 rates, the total 2020 City health premium amounts are proposed to (a) increase by \$21.3 million or 6.5 percent for Kaiser, (b) increase by \$5.4 million or 1.9 percent for Blue Shield, and (c) increase by \$12.1 million or 13.2 percent for UnitedHealthcare (includes City Plan and Medicare Advantage PPO). 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • The total estimated cost for the City as employer and total cost of active and retired City employees for health, vision, and dental plans, as well as long-term disability and life insurance, will be \$802,119,041 in 2020, which is a \$35,239,842 or 4.6 percent increase from \$766,879,199 in 2019. • The total estimated costs for the health, vision, and dental plans, as well as long-term disability and life insurance for the City as employer in 2020 is \$709,615,111 which is a \$31,220,973 or 4.6 percent increase from \$678,394,138 in 2019. • The balance of the estimated total cost for 2020 that will be paid by employees and retirees is \$92,503,930 or 4.5 percent more than the 2019 costs of \$88,485,061. According to SFHSS, average contributions for members and retirees for medical will be \$129.66 per member per month in 2020. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> • Approve the proposed ordinance. 	

MANDATE STATEMENT

City Charter Section A8.423 states that the Health Service Board is required to conduct a survey of the 10 most populous California counties, excluding San Francisco, to determine the average contribution made by each county toward health plan premiums for employees, excluding dental plan premiums. The Health Service Board is then required to certify to the Board of Supervisors the average contribution as determined by this survey. City Charter Section A8.428 also requires the City to contribute to the Health Service System Trust Fund to pay the costs of health plan premiums.

BACKGROUND

The Health Service Board oversees the San Francisco Health Service System (SFHSS). The SFHSS administers non-pension benefits, including health, vision, dental and other benefits, such as life and long-term disability insurance. The Health Service Board adopts the annual health, vision, dental and other insurance plans, and the respective plan premiums and premium equivalents to be paid by SFHSS employers and members.

- SFHSS employers consist of the City and County of San Francisco (City), the San Francisco Unified School District (SFUSD), the San Francisco Community College District (SFCCD), and the San Francisco Superior Court (Superior Court).
- SFHSS members are active and retired employees of the above noted employers, their dependents, and members of eligible boards and commissions. Dependents include children, spouses, domestic partners, surviving spouses of deceased members, and other legal dependents.

City and Employee Contribution Models

Most contribution formulas for City employees negotiated as part of their labor agreements fall into the following two percentage-based employee premium contribution models:

- Under the '93/93/83 Contribution Model', the City contributes up to 93 percent of the total health insurance premium for employee-only and employee plus one dependent coverage, capped at 93 percent of the second-highest cost plan. The City also contributes up to 83 percent of the total health insurance premium for employees with two or more dependents, capped at 83 percent of the second-highest cost plan. According to SFHSS, there are 16,767 members (excluding dependents) who are covered by this contribution model.
- Under the '100/96/83 Contribution Model', the City contributes 100 percent of total health insurance premiums for employee-only coverage. The City contributes up to 96 percent of the total health insurance premiums for employees with one dependent, capped at 96 percent of the second-highest cost plan. The City also contributes up to 83 percent of the total health insurance premium for employees with two or more dependents, capped at 83 percent of the second-highest cost plan. According to SFHSS,

there are 12,317 members (excluding dependents) who are covered by this contribution model.

10-County Survey Average

- The 10-county survey average is used as a basis for calculating the employer contribution to the monthly health plan premium for all retirees. Based on the survey, the 10-county average employer contribution for calendar year 2020 is \$705.92 per member per month. In June 2014, the impact of the “average contribution” on rates was eliminated in the calculation of premiums for almost all active employees represented by most unions, in exchange for a percentage-based employee premium contribution model. Presently, SFHSS utilizes the 10-County Survey amount as one of the elements that determine SFHSS employer contributions for retirees. In the event the premium is higher than the 10-county “average contribution”, the City will pay the “average contribution” amount up to the maximum percentage of premium cost stipulated in the employee agreements and described above. In the event the premium is less than the “average contribution,” the City will pay one hundred percent (100%) of the premium. The \$705.92 average contribution per month paid by the City is \$33.84 or approximately five percent more than the average monthly contribution of \$672.08 in 2019.

Health Service System Trust Fund

- Under Charter Section A8.428, employer and SFHSS member contributions to health plan premiums are deposited in the Health Service System Trust Fund. As of June 2018, the Health Service System Trust Fund balance was \$77,448,823.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would approve the San Francisco Health Service System’s health, vision, and dental plans as well as life insurance and long-term disability insurance plans and contribution rates for calendar year 2020. The total cost of the plans would be \$802,119,041, or 4.6 percent more than the \$766,879,199 costs in 2019. Of the total, the City’s costs would be \$709,615,111, with the balance of \$92,503,930 paid by employees and retirees. Table 1 below provides a summary of health insurance costs for 2020.

On June 13, 2019, the Health Service Board concluded the approval of the following health, vision, dental, life and long-term disability insurance plans and premiums for the period from January 1, 2020 through December 31, 2020.

Health Plans and Premiums

Kaiser Permanente HMO¹

Kaiser Permanente (Kaiser) covers active, early retirees and Medicare retirees. The total Kaiser HMO premium amounts paid by the City as employer and active and retired City employees are

¹ A HMO (Health Maintenance Organization) offers care through a closed panel of providers, in which members select a primary care physician, who manages their care. The HMOs pay the medical groups on a per capita basis.

\$21.3 million, or 6.5 percent more in CY 2020 than in CY 2019. These amounts are shown in Table 1 below. There is one Kaiser plan design change approved by the Health Service Board for active employees and early retirees for 2020. The subset of current infertility related services that are covered for a \$20 copay in 2019 will move to a 50 percent coinsurance member cost-share in 2020. This aligns the benefit coverage level for all plans for infertility related services, and is a change mandated by Kaiser.

The Kaiser Medicare plan has one plan enhancement that was approved by the Health Service Board for 2020. A new transportation benefit of up to 24 one-way rides per year (50 miles maximum per ride) will be offered in 2020 to support member health care appointment and facility post-discharge transportation needs. This is currently scheduled to take effect January 1, 2020, though could be delayed depending on vendor set-up status through Kaiser.

Blue Shield California HMOs

The total Blue Shield of California (Blue Shield) Access+ and Trio flex-funded plan premium amounts paid by the City as employer and active and retired City employees are \$5.4 million, or 1.9 percent, more in CY 2020 than in CY 2019. These amounts are shown in Table 1 below. There are two plan design changes approved for the Blue Shield Access+ and Trio plans by the Health Service Board for 2020. In 2020, members will be able to receive (1) an expanded array of vaccines at participating pharmacies, and (2) access for all covered members to a maximum of four nutritional counseling visits annually without a specific diagnosis.

UnitedHealthcare (UHC) City Plan PPO for Active Employees and Early Retirees and UHC Medicare Advantage (MA) PPO²

The City contracts with UnitedHealthcare (UHC) to administer a self-funded health plan for active employees and early retirees³ (the City Plan PPO) and a fully funded plan for Medicare-eligible retirees (UHC Medicare Advantage PPO).

The UHC City Plan PPO is a self-funded plan⁴ administered by UnitedHealthcare (UHC) for active employees and early retirees. One plan design change was approved by the Health Service Board for 2020. The in-network out-of-pocket maximum for families will be reduced from a current amount of \$12,700 to \$7,500. This is expected to have minimal financial impact on the plan's costs, estimated to be only a \$40,000 cost increase by SFHSS staff,⁵ but will benefit families using high levels of care across multiple family members.

² Under a PPO (Preferred Provider Organization), physicians, hospitals, and other providers are in network and paid by the purchaser (through a third party administrator) on a fee for service basis based on negotiated contracts.

³ Retired employees of less than 65 years of age and therefore not eligible for Medicare.

⁴ According to SFHSS, a self-funded plan is where the plan sponsor (SFHSS) pays the claims and takes the risk if the claims are greater than the expectation of what the claims estimates will be.

⁵ This amount represents the incremental costs if the in-network out-of-pocket maximum is \$12,700 instead of \$7,500.

The UHC Medicare Advantage PPO Plan, covers all non-Kaiser Medicare eligible retirees. No plan changes were approved by the Health Service Board for 2020.

In aggregate, the increase in the total UHC Plan premium payments paid by the City as employer and active and retired City employees is \$12.1 million, or 13.2 percent more in CY 2020 than in CY 2019. Active and retired City employees will pay \$1.4 million of the \$12.1 million increase, representing an increase of 9.4 percent in CY 2020 compared to CY 2019, as shown in Table 1 below.

The 13.2 percent aggregate increase for the UHC Plan as a whole costs is higher than the 6.5 and 1.9 percent increases for 2020 for the Kaiser and Blue Shield HMO plans, respectively. According to SFHSS, the UHC City Plan PPO's rate of increase is 10 percent and is more costly due to high utilization of services that cost more, members with a higher risk score, and a smaller number of enrollees (members) compared to the Kaiser and Blue Shield plans. The rate of increase for the UHC Medicare Advantage PPO is 16.5 percent mostly due to Affordable Care Act Health Insurance Tax returning in 2020 after being suspended in 2019. This is the cause of over half of the 16.5% increase in the UHC Medicare Advantage PPO.

According to the City's actuarial consultant, Aon, a factor in the UHC City Plan PPO total premium increase for CY 2020 is the change in the City Plan rate stabilization reserve available to support City Plan total costs. In 2019, the entire rate stabilization reserve balance of \$1,661,000 was applied to 2019 rates to keep them lower than they otherwise would have been. In 2020, the rate stabilization reserve is in a modest deficit position and thus cannot be used to keep rates lower. A \$117,000 rate stabilization deficit buy-up is being applied to 2020 City Plan rates.

Vision Plan

Members enrolled in any of the health plans receive vision benefits through Vision Service Plan (VSP), a third party insurer and a fully-funded plan. The cost of the Basic Plan vision benefit is included in the cost of the medical plan for all monthly health plan premiums.

In 2020, Basic Plan rates will remain at 2019 levels. Consequently, there is no change to the employer cost for VSP vision rates from 2019 to 2020. For 2020, Premier Plan total premium rates are increasing by 4.3 percent from 2019 rate levels. Employees and retirees pay the full premium difference between Premier Plan rates and Basic Plan rates, in the form of member contributions.

For 2020, the projected cost to the City, San Francisco Unified School District (SFUSD), San Francisco Community College District (SFCCD), and the Superior Court for the VSP vision plan is \$5,187,496 of which \$4,158,162 is the City's cost as the employer. The employer portion of vision plan costs will remain constant from 2019 to 2020, as the Basic Plan premiums are not changing from 2019 to 2020.

Dental Plans

SFHSS offers three dental plans, including one PPO (Delta Dental PPO) and two HMOs (Delta Care USA and UnitedHealthcare Dental). The City pays part of the cost of dental benefits for

active employees enrolled in the Delta Dental PPO and the full cost of the dental HMOs for active employees, while retirees pay the full cost of their dental plans.

There were no plan design changes to the active employee Delta Dental PPO plan, and the two dental HMOs for active employees and retirees, from 2019 to 2020. The following design changes were approved by the Health Service Board for the 2020 Delta Dental Retiree PPO plan:

- PPO network design: increase plan-paid coinsurance for services provided by PPO providers currently covered at 50 percent, to 60 percent—including crown, denture, pontic⁶, bridge, and endodontic/root canal services (coinsurance for these services would remain at 50 percent for services provided by Premier and out-of-network providers)
- Premier network and out-of-network design: increase the individual member deductible paid for services (other than diagnostic and preventive care) delivered by a Premier provider or out-of-network provider from \$50 to \$75 annually. There is no change to the family maximum deductible of \$150.

For plan year 2020, the City will contribute: (1) the total premium toward each of the dental HMO plans for active employees, and (2) the monthly premium minus employee contributions ranging from \$5.00 to \$15.00 per month for the self-funded Dental PPO plan. Member contributions for the three dental plans remain unchanged from the 2019 plan year.

The City's employer and member premium contributions for the dental PPO plan are expected to decrease by \$2.4 million, or 5.2 percent, to \$43.5 million in plan year 2020, as shown in Table 1 below. The decrease is due to a combination of recent favorable experience for active employees and the availability of \$7.0 million in dental PPO rate stabilization reserve balance funds to be applied towards the premiums.

Life and Long-Term Disability Insurance

In late 2017, The Hartford Life and Accident Insurance Company acquired the group life and disability business of Aetna Group Insurance. Consequently, Hartford is the insuring entity for the SFHSS life and disability insurance plans starting in 2020 and thereafter. SFHSS will continue to contract with The Hartford Life and Accident Insurance Company for life and long-term disability insurance in 2020.

In aggregate, the rates decreased by approximately 12 percent from 2019 to 2020. Basic life insurance (employer paid) increased by 42.5 percent, supplemental life insurance (member paid) decreased by 15 percent, and long-term disability insurance (employer paid) premiums decreased by 20 percent. Rates are now locked for three years, from January 1, 2020 through December 31, 2022.

Second Opinion Benefit

An external second opinion service was implemented by SFHSS effective January 1, 2017. Upon review by SFHSS and the Health Service Board, this external second opinion services will be

⁶ The artificial tooth that replaces a missing natural tooth.

discontinued for the 2020 plan year, upon expiration of the current three-year agreement on December 31, 2019. SFHSS will promote information from each health plan to support members in seeking second medical opinions within the health plans.

Federal Affordable Care Act Requirements

In 2010, the Patient Protection and Affordable Care Act (also known as the Affordable Care Act) created a Health Insurance Tax (HIT) and two direct fees were passed through to employers – the Transitional Reinsurance Fee (TRF) and the Patient Centered Outcomes Research Institute (PCORI) Fee. The TRF and PCORI fees have now expired, and as of June 2019 will not apply in 2020 or future years. The TRF expired after the 2016 plan year, and SFHSS will be making its final PCORI payment (for the UHC City Plan) by July 31, 2019.

The Health Insurance Tax (HIT) impacts most fully insured health plans offered through SFHSS, including dental and vision plans. This tax has applied most years since the Affordable Care Act became law, though the federal government waived this fee for the 2017 and 2019 plan years. As of June 2019, the HIT is scheduled to return for the 2020 plan year for most SFHSS fully insured health plans. HIT does not apply to the BSC plans⁷ (based on a prior California Department of Managed Health Care ruling). The HIT also applies to the Kaiser Permanente (Kaiser) Senior Advantage (KPSA) Medicare HMO plan but Kaiser reports to SFHSS staff that it does not pass this fee on in its Kaiser Permanente Senior Advantage rates.

FISCAL IMPACT

2020 Total City Costs

As shown in Table 1 below, the total estimated cost for the City as employer and total cost of active and retired City employees for health, vision, and dental plans, as well as long-term disability and life insurance, will be \$802,119,041 in 2020, which is a \$35,239,842 or a 4.6 percent increase from \$766,879,199 in 2019. The total estimated costs for the health, vision, and dental plans, as well as long-term disability and life insurance, for the City as employer in 2020 is \$709,615,111 which is a \$31,220,973 or 4.6 percent increase from \$678,394,138 in 2019. The estimated total cost for medical for 2020 that will be paid by employees and retirees is \$88,050,190, or 4.93 percent more than the 2019 costs of \$83,912,325. According to SFHSS, average contributions for members and retirees for medical will be \$129.66 per member per month in 2020. SFHSS staff cautions that there is great variation in member contributions based on the plans selected, status, and characteristics of each member.

⁷ Blue Shield plans include Access+ and Trio flex-funded plans which includes the following for 2019: No annual deductible, \$200 copay (per admission) for the hospital (inpatient), \$100 copay (waived if admitted) for the emergency room, \$50 copay for ambulance services, \$25 copay for office visits, \$25 copay (in-network) for urgent care, retail prescriptions (30-day supply) - \$10 (generic), \$25 (brand), \$50 (non-formulary), mail order prescriptions (90-day supply) - \$20 (generic), \$50 (brand), \$100 (non-formulary), 50% (in-network) infertility treatment, \$15 copay (limit 30 visits per year) for acupuncture, \$15 copay (limit 30 visits per year) for chiropractic needs.

Table 1: Total Plan Costs for the City, Employees and Retirees in 2020 Compared to 2019 Current Membership⁸

	2019	2020	Increase / (Decrease)	Percent Change
City Costs Only				
Kaiser HMO	\$294,853,098	\$313,794,243	\$18,941,146	6.42%
Blue Shield HMO	\$256,365,928	\$261,480,408	\$5,114,480	1.99%
City Plan	\$76,097,757	\$86,704,703	\$10,606,946	13.94%
Subtotal Health and Vision Plan	\$627,316,783	\$661,979,355	\$34,662,571	5.53%
Dental	\$42,167,554	\$39,776,717	(\$2,390,837)	-5.67%
Long Term Disability and Life Insurance	\$8,909,800	\$7,859,039	(\$1,050,761)	-11.79%
Total City Costs	\$678,394,138	\$709,615,111	\$31,220,973	4.60%
Employee and Retiree Costs Only				
Kaiser HMO	\$35,532,645	\$37,903,587	\$2,370,942	6.67%
Blue Shield HMO	\$32,955,304	\$33,276,992	\$321,688	0.98%
City Plan	\$15,424,377	\$16,869,611	\$1,445,234	9.37%
Subtotal Health and Vision Plan	\$83,912,325	\$88,050,190	\$4,137,865	4.93%
Dental	\$3,696,780	\$3,696,780	\$0	0.00%
Long Term Disability and Life Insurance	\$875,956	\$756,960	(\$118,996)	-13.58%
Total Employee and Retiree Costs	\$88,485,061	\$92,503,930	\$4,018,869	4.54%
Total Costs				
Kaiser HMO	\$330,385,743	\$351,697,830	\$21,312,088	6.45%
Blue Shield HMO	\$289,321,232	\$294,757,400	\$5,436,168	1.88%
City Plan	\$91,522,134	\$103,574,314	\$12,052,180	13.17%
Subtotal Health and Vision Plans	\$711,229,109	\$750,029,544	\$38,800,436	5.46%
Dental	\$45,864,334	\$43,473,497	(\$2,390,837)	-5.21%
Long Term Disability and Life Insurance	\$9,785,756	\$8,615,999	(\$1,169,357)	-11.95%
Total Costs	\$766,879,199	\$802,119,041	\$35,239,842	4.60%

Source: San Francisco Health Service System

The employer contribution amounts shown in Table 1 above are included in the FY 2019-20 and FY 2020-21 budgets currently pending before the Board of Supervisors.

RECOMMENDATION

Approve the proposed ordinance.

⁸ According to SFHSS, both 2019 and 2020 forecasted costs are based on the May 2019 headcount.

<p>Item 4 File 19-0599</p>	<p>Department: Treasurer-Tax Collector’s Office (Treasurer/Tax Collector)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize the Treasurer/ Tax Collector to amend the service and maintenance agreement with Manatron for government revenue management software, extending the agreement term by five years through June 2024, for a total 10-year term, and increasing the agreement amount by \$1,265,607 for a total amount not to exceed \$2,275,548. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Treasurer/Tax Collector selected XTech to develop the replacement Business Tax System in 2013 following a competitive solicitation. The Treasurer/Tax Collector entered into a perpetual software license agreement with Manatron, a subcontractor to XTech, in July 2013. Subsequently, the Treasurer/Tax Collector entered into an agreement with Manatron to provide maintenance and support services for the Business Tax System software. The original software maintenance agreement between the Treasurer/Tax Collector and Manatron was for five years from July 2014 through June 2019, for an amount not to exceed \$1,009,941. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The budget for the proposed five-year extension of the service and maintenance agreement between the Treasurer/Tax Collector and Manatron is \$1,265,607, increasing the total agreement not-to-exceed amount from \$1,009,941 to \$2,275,548. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • 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.

Administrative Code Section 21.30(d) provides that agreements for software maintenance and support may be sole source when the vendor has proprietary rights to the software.

BACKGROUND

The Treasurer & Tax Collector's Office ("Treasurer/Tax Collector") uses government revenue management software provided by Manatron, Inc. ("Manatron") as the primary system for administering the City and County of San Francisco ("City") business taxes, including payroll expense tax, gross receipts tax, commercial rents tax, transient occupancy tax, parking tax, utility user tax, access line tax, telephone users tax, stadium admissions tax, administrative office tax, tourism improvement district assessment, and Moscone expansion district assessment. In addition, the government revenue management software is the primary system for administering the business registration fee, cigarette litter abatement fee, revenue control equipment fee, and the registration and license fees for the police, entertainment, fire, and public health departments. The Treasurer/Tax Collector has previously contracted with Manatron to provide maintenance and support services for the government revenue management software.

Selection Process

Manatron has provided the Treasurer/Tax Collector Government Revenue Management software through a competitive bid process pursuant to a software license agreement to meet requirements of business taxes collected by the City. In July 2011, the Treasurer/Tax Collector conducted a Request for Proposals to replace the Business Tax System, which supports the Treasurer/Tax Collector to collect and deposit business tax, property tax, and various business licenses and fees required by the Municipal Code. The selected vendor, XTech, used Manatron as a subcontractor. Following implementation of the new software, the Treasurer/Tax Collector used the Technology Marketplace (San Francisco Administrative Code, Chapter 21)¹ to purchase the license for Manatron.

Original Maintenance Agreement

The Treasurer/Tax Collector entered into a perpetual software license agreement with Manatron in July 2013 as part of the contract between XTech and the Treasurer/Tax Collector for development of the Business Tax System. Subsequently, the Treasurer/Tax Collector entered into an agreement with Manatron to provide maintenance and support services for the

¹ The Technology Marketplace, previously known as Computer Store or Technology Store, refers to citywide, multiple award term contracts for the procurement of certain information technology commodities and services, which are administered by the Office of Contract Administration (OCA) for the benefit of City departments. This is governed by the Rules and Regulations of the San Francisco Administrative Code, Chapter 21.

Business Tax System software. The original software maintenance agreement between the Treasurer/Tax Collector and Manatron was for five years from July 2014 through June 2019, for an amount not to exceed \$1,009,941.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Treasurer/ Tax Collector to amend the service and maintenance agreement with Manatron for government revenue management software, extending the agreement term by five years through June 2024, for a total 10-year term, and increasing the agreement amount by \$1,265,607 for a total amount not to exceed \$2,275,548.

FISCAL IMPACT

The maintenance and service agreement budget of \$2,275,548 over the ten-year term is shown in Table 1 below.

Table 1: Annual Agreement Budgets

Original Contract	Amount
Annual Support - Year 1 (FY 2014)	\$186,461.00
Annual Support - Year 2 (FY 2015)	\$193,920.00
Annual Support - Year 3 (FY 2016)	\$201,678.00
Annual Support - Year 4 (FY 2017)	\$209,746.00
Annual Support - Year 5 (FY 2018)	\$218,136.00
<i>Subtotal Original Agreement</i>	<i>\$1,009,941.00</i>
Proposed Amendment	
Annual Support - Year 6 (FY 2019)	\$229,043.00
Annual Support - Year 7 (FY 2020)	\$240,495.00
Annual Support - Year 8 (FY 2021)	\$252,520.00
Annual Support - Year 9 (FY 2022)	\$265,146.00
Annual Support - Year 10 (FY 2023)	\$278,403.00
<i>Subtotal Proposed Amendment</i>	<i>\$1,265,607.00</i>
Total Contract Costs	\$2,275,548.00

RECOMMENDATION

Approve the proposed resolution.

Item 5 File 19-0732	Department: Municipal Transportation Agency (MTA)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would retroactively approve a capital funding agreement between San Francisco Municipal Transportation Agency (SFMTA) and the San Francisco Bay Area Rapid Transit District (BART) for the BART/Muni Market Street Entrance Modernization Project (Canopy Project), for a term of seven years and 11 months, from February 2018 through December 2025, with SFMTA's amount not to exceed \$45,000,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • BART is currently undertaking the Market Street Escalators Renovation Project (Escalator Project) to replace and install 41 escalators at the four BART/Muni stations (Civic Center, Powell Street, Montgomery Street, and Embarcadero) along Market Street in downtown San Francisco. • In conjunction with the Escalator Project, BART plans to install canopies above the Market Street BART/Muni station entrances, as required by State code to protect the new escalators from weather damage and to enhance safety. In November 2018, BART opened two canopies at Powell Street and Civic Center station entrances as a pilot project. Under the Canopy Project, BART would install 19 additional canopies over the Market Street station entrances. • The total estimated budget for the Canopy Project is \$91,300,000. The proposed resolution would retroactively approve a funding agreement between BART and SFMTA, with SFMTA's amount not to exceed \$45,000,000, to fund approximately half the cost of the canopy project. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Under the proposed funding agreement, SFMTA would contribute up to \$45,000,000 for approximately half the cost of the Canopy Project. SFMTA's share would come from Proposition A funding, a 2014 voter-approved \$500 million general obligation bond for transportation infrastructure. • BART and SFMTA are considering three additional options to the Canopy Project, with an estimated combined budget of approximately \$15,400,000. The options are dependent on additional funding from both BART and SFMTA. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • 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

The San Francisco Bay Area Transit District (BART) is currently undertaking the Market Street Escalators Renovation Project (Escalator Project) to replace and install 41 escalators at the four BART/Muni stations (Civic Center, Powell Street, Montgomery Street, and Embarcadero) along Market Street in downtown San Francisco. In March 2019, the BART Board of Directors approved a \$96.5 million contract for the Escalator Project. BART is expected to complete six escalators per year, with the first escalators delivered for installation in Spring 2020. Under an existing maintenance agreement¹, the San Francisco Municipal Transportation Agency (SFMTA) will fund \$34 million for the Escalator Project, half of the cost of the escalators used for both BART and Muni access.

In conjunction with the Escalator Project, BART is also proceeding with the BART/Muni Market Street Entrance Modernization Project (Canopy Project). BART plans to install canopies above the Market Street BART/Muni station entrances, as required by State code to protect the new escalators from weather damage and to enhance safety. In November 2018, BART opened canopies at entrances of the Powell Street (north side of Market and Ellis Streets) and Civic Center (south side of Market and 7th Streets) stations as a pilot project.

The estimated cost for the Canopy Project is \$91,300,000, which is an increase over BART's previous estimate from 2017 of \$66,400,000. According to BART, cost increases are due to market conditions, such as Bay Area labor shortages, material tariffs, and price escalation. On June 18, 2019, the SFMTA Board of Directors approved a funding agreement for up to \$45,000,000, representing approximately half the cost of the Canopy Project.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve a funding agreement between SFMTA and BART for the Canopy Project, for a term of seven years and 11 months, from February 2018 through December 2025, and SFMTA's amount not to exceed \$45,000,000. SFMTA and BART would each fund half of the estimated cost for the Canopy Project.

According to Mr. Jonathan Rewers, SFMTA Senior Manager of Budget, Financial Planning, and Analysis, the funding agreement is retroactive to February 2018 to correspond with Board of Supervisors approval to sell \$177 million in general obligation bonds for transportation improvements (File 17-1253, Resolution 17-18), as well as approving the appropriation of the

¹ Under the maintenance agreement, which dates to 1976, SFMTA contributes to the maintenance and renewal of existing assets, such as shared station escalators.

bond proceeds (File 17-1248, Ordinance 19-18). The appropriation ordinance included \$3,000,000 for the two pilot project canopies at the Powell Street and Civic Center stations.²

Under the Canopy Project, BART would build 19 additional canopies over the Market Street station entrances. Along with protecting the new escalators from rain and debris, the canopies would add station security by using gates that would lock when the stations are closed. Canopies would also include a digital display showing real-time train arrival times, as well as LED lighting and security cameras.

FISCAL IMPACT

Under the proposed funding agreement, SFMTA would contribute up to \$45,000,000 for approximately half the cost of the Canopy Project. SFMTA's share would come from Proposition A funding, a 2014 voter-approved \$500 million general obligation bond for transportation infrastructure. The project budget is shown in Table 1 below.

Table 1: Canopy Project Budget

Sources	Amount
BART	\$46,300,000
SFMTA (Proposition A Bonds)	45,000,000
Total Sources	\$91,300,000
Uses	Amount
Preliminary Design	\$1,000,000
Final Design Estimate	3,500,000
Canopy Construction ³	56,400,000
Construction Contingency (10%)	5,600,000
Canopy Pilot Construction	4,500,000
<i>Construction Subtotal</i>	<i>\$66,500,000</i>
Pilot Construction Management (Including 10% Contingency)	2,000,000
Construction Management Estimate (Including 10% Contingency)	11,200,000
Design Services During Construction Estimate (Including 10% Contingency)	3,500,000
BART Labor (Including 10% Contingency)	3,600,000
<i>Construction Management Subtotal</i>	<i>\$20,300,000</i>
Total Uses	\$91,300,000

² Proposition A, approved by voters in 2014, authorizes \$500 million in general obligation bonds for transportation and street projects. Of the \$500 million, \$244 million have been sold (including the \$177 million noted above) and \$256 million have not yet been sold.

³ According to Mr. Rewers, the \$56,400,000 construction estimate is based on an engineer's estimate in a scenario with 2-3 bidders. In a more competitive bidding environment with 4-5 bidders, the construction estimate is reduced to approximately \$49,500,000, not including contingencies.

BART is considering three options to the Canopy Project that are not included in the \$91,300,000 estimated project cost:

1. Two street level canopies at Powell Street Station;
2. One new street level canopy at the UN Plaza entry of Civic Center Station; and
3. Incorporation of patterned art along canopy ceilings.

According to Mr. Rewers, the total estimated cost of the three additional options is approximately \$15,400,000. The total includes estimates of \$13,000,000 for construction, \$2,200,000 for construction management, and \$200,000 for design services during construction. According to Mr. Rewers, the options would be determined based on available funding from BART and SFMTA.

RECOMMENDATION

Approve the proposed resolution.

Item 6 File 19-0606	Department: San Francisco International Airport (Airport)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve a café lease between San Francisco International Airport (Airport) as landlord and Rylo Management, LLC as tenant for a term of ten years and initial minimum annual guaranteed (MAG) rent of \$310,000. <p>Key Points</p> <ul style="list-style-type: none"> • In October 2018, the Airport Commission authorized Airport staff to conduct a Request for Proposals (RFP) for a small business set-aside café lease in Terminal 3. Proposers were required to have annual gross revenues below \$7.5 million in the past three years. The Airport received two complete proposals, and Rylo Management, LLC was deemed the highest scoring proposer and was awarded a lease. In March 2019, the Airport Commission approved the proposed lease. • The proposed resolution would approve a ten-year lease with Rylo Management, LLC with initial MAG rent of \$310,000. Rylo Management, LLC would pay the greater of the MAG rent or percentage rent based on gross revenues. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • Over the ten-year term of the lease, the Airport would receive at least \$3,100,000 in MAG rent. The Airport expects to receive percentage rent, which would exceed the MAG. <p>Recommendation</p> <ul style="list-style-type: none"> • 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 October 2018, the San Francisco International Airport (Airport) Commission authorized Airport staff to conduct a Request for Proposals (RFP) for café lease in Terminal 3, Boarding Area F. The lease is intended as a small business set-aside, with proposers required to have annual gross revenues below \$7.5 million for the past three years. In December 2018, after holding an informational conference with potential proposers, the Airport Commission approved the minimum qualification requirements and lease specifications and authorized Airport staff to accept proposals. In January 2019, the Airport received four proposals, but two were disqualified: one for failing to meet the minimum requirements, and the other for an incomplete proposal. A four-member panel reviewed the two accepted proposals and scored them, as shown in Table 1 below.

Table 1: Proposals and Scores of RFP

Proposer	Concept	Score
Rylo Management, LLC	Farley's Community Café	81.13
AnnePort, Inc.	Auntie Anne's & Cinnabon	70.53

Rylo Management, LLC (Rylo Management) was deemed to be the highest scoring responsive and responsible proposer and was awarded a lease. In March 2019, the Airport Commission approved the lease.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a café lease between the Airport as landlord and Rylo Management, LLC (as tenant for a term of ten years and initial Minimum Annual Guaranteed (MAG) rent of \$310,000. Under the lease, Rylo Management, LLC would pay the greater of the MAG or percentage rent based on gross revenues. The key provisions of the lease are shown in Table 2 below.

Table 2: Key Provisions of Proposed Lease

Term	10 years
Options to Extend	None
Square Footage	1,205 square feet
Initial MAG Rent	\$310,000
MAG Adjustment	Annually based on Consumer Price Index (CPI)
Percentage Rent (of Gross Revenues)	8% up to \$500,000; 10% from \$500,000-\$1,000,000; 12% over \$1,000,000
Minimum Investment	\$1,000 per square foot
Interim Rent During Construction	12% of gross revenues
Deposit	Equal to ½ of initial MAG (subject to mid-term adjustment)
Early Termination	Airport may terminate with 6 months written notice, if space is needed for Airport's Five-Year or Ten-Year Capital Plan
Cleaning Fee	\$38 per square foot per year
Promotional Charge	\$1 per square foot per year
Pest Control Fee	\$75 per month, subject to adjustment

According to Mr. Tomasi Toki, Airport Principal Property Manager, the lease is anticipated to commence February 27, 2020.

FISCAL IMPACT

Over the ten-year term of the lease, the Airport would receive at least \$3,100,000 in MAG rent. According to Mr. Toki, the Airport expects to receive percentage rent, which would exceed the MAG.

RECOMMENDATION

Approve the proposed resolution.

Item 7 File 19-0674	Department: Public Utilities Commission (PUC)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution approves a service agreement between the San Francisco Public Utilities Commission (SFPUC) and Southern California Edison (SCE) to purchase renewable energy for CleanPowerSF for two years from January 1, 2020 through December 31, 2021 for an amount not to exceed \$15,775,000. The proposed agreement between SFPUC and SCE requires binding arbitration of any disputes between the City and SCE. According to the proposed resolution, the requirement for binding arbitration conforms to Ordinance 227-18, previously approved by the Board of Supervisors. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • CleanPowerSF provides renewable energy to residential and commercial customers in San Francisco. Full scale citywide enrollment of residential customers was completed in April 2019. Approximately 400,000 customer accounts with average electricity demand of about 350 megawatts (MW) are currently enrolled in CleanPowerSF. • In January 2019, the Board of Supervisors retroactively approved a service agreement between SFPUC and SCE for CleanPowerSF to purchase renewable energy for one year from January 1, 2019 through December 31, 2019 for an amount not to exceed \$24,000,000 (File 19-0013). • The CleanPowerSF budget for power purchases in FY 2019-20 is \$164,571,626, projected to increase to \$166,526,003 in FY 2020-21 to account for an increase in customers. Power purchases are paid for by CleanPowerSF sales of electricity to retail customers. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Of the \$15,775,000 not-to-exceed amount for this agreement, CleanPowerSF estimates that they will pay SCE \$10,525,000 for renewable energy delivered during calendar year 2020 and \$5,250,000 for 2021. CleanPowerSF will pay SCE a fixed price to purchase the associated Renewable Energy Credit (REC) per megawatt hour of power delivered. • SFPUC determined the contract volumes through supply planning for CleanPowerSF's expected demand in 2020 and 2021, and to meet the 50 percent renewable energy target in 2020 and the 52 percent renewable energy target in 2021. • All costs associated with the agreement will be paid from CleanPowerSF revenues. These costs are included in the approved CleanPowerSF FYE19 and FYE20 budgets. SFPUC will include the cost of the FYE21 agreement in the next budget request. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • When the Board of Supervisors approved File 19-0013 in January 2019, the Board amended the resolution to require SFPUC to return to the Budget & Finance Committee to present the FY 2017-18 annual report on the CleanPowerSF program. According to SFPUC, staff submitted the FY 2017-18 annual report on the CleanPowerSF program to the Board on February 7, 2019. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • 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 has a term of more than ten years or requires expenditures of \$10 million or more is subject to Board of Supervisors approval.

BACKGROUND

Community Choice Aggregation

State law allows cities and counties to develop Community Choice Aggregation (CCA) programs, through which local governments supply electricity to participating customers within their jurisdictions while the existing private utility (Pacific Gas & Electric Company – PG&E – in San Francisco) continues to provide various services including billing, transmission, and distribution. San Francisco's CCA program ("CleanPowerSF") is in the process of phasing in service to residential customers citywide.

CleanPowerSF offers two levels of supply service: (1) Green, the default service which contains at least 40 percent renewable energy and (2) SuperGreen, a premium option which offers 100 percent renewable energy. Residential and business customers were automatically enrolled into the CleanPowerSF Green service and are given opportunities to opt-out of participating in the program during the enrollment period, as required under state law. The agreement with Southern California Edison Company (SCE) provides the renewable energy content for purchasers in the "Green" service category.

Full scale citywide enrollment was completed in April 2019. Approximately 400,000 customer accounts with average electricity demand of about 350 megawatts (MW) are currently enrolled in CleanPowerSF. The opt-out rate is currently 3.4 percent.

After the April 2019 enrollment, the only remaining accounts to be enrolled will be the largest commercial accounts, which are responsible for approximately 12 percent of citywide electricity demand. The SFPUC intends to meet with representatives of these customer accounts to gauge their interest in the program prior to enrolling them. This approach is intended to avoid over-procurement of power, which could happen if these customers, with their significant energy use, opt-out in greater numbers than planned.

Previous CleanPowerSF Legislation

The Board of Supervisors has previously authorized the San Francisco Public Utilities Commission (SFPUC) to enter into long-term renewable energy supply agreements for CleanPowerSF without further Board of Supervisors approval:

- In May 2015, the Board of Supervisors authorized the SFPUC General Manager to use pro forma agreements to purchase and sell renewable electricity to operate the CleanPowerSF program (File No. 15-0408; Ordinance No. 75-15);
- In December 2015, the Board of Supervisors authorized the SFPUC General Manager to enter into agreements requiring expenditures of \$10 million or more for power and

related products and services to launch the initial phases of CleanPowerSF (File No. 15-1123; Ordinance No. 223-15); and,

- In January 2018, the Board of Supervisors authorized the SFPUC General Manager to enter into agreements for renewable energy with terms in excess of ten years or requiring expenditures of \$10 million or more for power and related products and services for citywide expansion of CleanPowerSF; and authorized deviations from contract requirements in the Administrative Code and the Environment Code (File No. 17-1172; Ordinance No. 8-18).

In September 2018, the Board of Supervisors authorized the SFPUC General Manager to enter into future agreements (executed within the next five years) requiring binding arbitration for purchase of electricity, if certain conditions were met; and retroactively authorized three agreements between CleanPowerSF and PG&E for purchase of electricity-related products requiring binding arbitration (File 18-0708, Ordinance No. 227-18).

In January 2019, the Board of Supervisors retroactively approved a service agreement between SFPUC and SCE for CleanPowerSF to purchase renewable energy for one year from January 1, 2019 through December 31, 2019 for an amount not to exceed \$24,000,000 (File 19-0013).

CleanPowerSF Budget and Power Purchases

The CleanPowerSF budget for power purchases in FY 2019-20 is \$164,571,626, projected to increase to \$166,526,003 in FY 2020-21 to account for an increase in customers, as shown in Table 1 below. Power purchases are paid for by CleanPowerSF sales of electricity to retail customers.

Table 1: CleanPowerSF Budget, FY 2019-20 (Adopted) and FY 2020-21 (Projected)

Revenues	FY 2019-20 (Adopted)	FY 2020-21 (Projected)
Electricity Sale CCA	\$212,070,541	\$231,728,830
<i>Green Revenue</i>	207,339,619	221,570,625
<i>SuperGreen Revenue</i>	4,730,921	10,158,205
Other	838,768	0
Total Revenues	\$212,909,309	\$231,728,830
Expenditures		
Power For Resale	\$153,877,739	\$164,959,005
Power For Resale-Budget	7,693,887	0
Power-Scheduling Coordinator	3,000,000	1,566,999
<i>Subtotal Operating Expenditures</i>	<i>\$164,571,626</i>	<i>\$166,526,003</i>
Reserves	22,505,510	39,768,531
Transfers Out	25,832,173	25,434,295
Total Expenditures	\$212,909,309	\$231,728,830

CleanPowerSF has contracts with 12 vendors to supply power in FY 2019-20 and FY 2020-21, totaling approximately \$287 million in aggregate over the two fiscal years. Pursuant to the enrollment in FY 2018-19, CleanPowerSF will execute additional contracts to meet power demand. The current vendors supply power from a mix of generating sources, providing the following: shaped energy¹, renewable energy, carbon-free energy, and capacity. The SFPUC projects that the proposed contract will ensure that the Green service is at least 50 percent renewable in CY 2020. The SCE contract will also contribute to Green service renewable energy needs for CY 2021. SFPUC staff plan to procure additional renewable energy for CY 2021 in the upcoming year.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves a service agreement between SFPUC and SCE for CleanPowerSF to purchase renewable energy for two years from January 1, 2020 through December 31, 2021 for an amount not to exceed \$15,775,000.

The proposed agreement between SFPUC and SCE requires binding arbitration of any disputes between the City and SCE. According to the proposed resolution, the requirement for binding arbitration conforms to Ordinance 227-18, previously approved by the Board of Supervisors.

CleanPowerSF Contracting for Power Supply

CleanPowerSF procures energy supplies in accordance with the CleanPowerSF Supply Management Policy adopted by the Public Utilities Commission. According to CleanPowerSF staff, in accordance with best practices in the energy industry, CleanPowerSF maintains an energy portfolio that includes a mix of short and long-term contracts (with terms ranging from 1 to 25 years) that best mitigates price, supply, and vendor risk. CleanPowerSF procures energy through requests for offers which are distributed to a list of known energy suppliers. Winning bidders are selected based on different factors including price, collateral requirements, vendor experience, and if relevant, project location. The majority of the contracts have a fixed price for the term of the contracts. Some shorter term (one to two years) contracts, such as the SCE contract, are based on a market price for energy plus a fixed price for the renewable attribute of the commodity. This is an industry-standard pricing term for renewable energy supplies.

Agreement with Southern California Edison Company

In June 2017 and August 2018, CleanPowerSF issued requests to obtain short term renewable energy supplies from vendors, but did not receive offers that had sufficient renewable energy supplies to support the expansion of CleanPowerSF in April 2019. As a result, CleanPowerSF participated in several Requests for Offers extended by energy suppliers that would allow them to purchase bundled renewable energy. In September 2018, CleanPowerSF responded to a Request for Offers for clean energy supplies from PG&E, but were not shortlisted by PG&E for the volumes desired. Also in September 2018, CleanPowerSF submitted a bid to purchase

¹ Shaped energy is also known as system energy, which is purchased from the California electrical grid and is used to reduce volatility in energy prices. Shaped energy may or may not come from renewable sources.

renewable energy from SCE in order to obtain sufficient renewable energy supply to support the service expansion. CleanPowerSF's bid was awarded in October 2018.

CleanPowerSF participated in SCE's 2019 Bundled Renewable Portfolio Standard (RPS) Energy Sales Request for Offers that was issued on April 18, 2019. CleanPowerSF submitted a bid on May 9, 2019 for Portfolio Content Category 1 (PCC 1) energy to be delivered in 2020 and 2021, and was shortlisted for the desired volumes by SCE.

Under the proposed agreement, SCE agrees to provide a firm amount of renewable energy to CleanPowerSF to be delivered in 2020 and 2021. SCE will bill CleanPowerSF monthly based on the amount of energy delivered in the prior month and the contract price, which is equal to the fixed price to purchase the associated Renewable Energy Credit (REC) per megawatt hour of power delivered.²

According to SFPUC, the proposed agreement is not subject to extensions and will expire in December 31, 2021. The SFPUC is actively soliciting additional renewable energy supplies to fill future renewable energy needs.

FISCAL IMPACT

Of the \$15,775,000 not-to-exceed amount for this agreement, CleanPowerSF estimates that they will pay SCE \$10,525,000 for renewable energy delivered during calendar year 2020 and \$5,250,000 for 2021. CleanPowerSF will pay Southern California Edison a fixed price to purchase the associated Renewable Energy Credit (REC) per megawatt hour of power delivered.

SFPUC determined the contract volumes through supply planning for CleanPowerSF's expected demand in 2020 and 2021, and to meet the 50 percent renewable energy target in 2020 and the 52 percent renewable energy target in 2021. The California Independent System Operator (CAISO) operates the California electricity market. Energy suppliers, such as SCE and CleanPowerSF, receive payment through the CAISO wholesale energy market for electricity generated and delivered to the grid. Under the proposed agreement, SCE will deliver renewable energy to CleanPowerSF through the CAISO wholesale energy market. SCE will receive payment from the CAISO market for the electricity generated and delivered; CleanPowerSF will pay SCE the fixed contract price for the environmental attributes (Renewable Energy Credits) associated with the generated energy. According to SFPUC, the benefit of this contractual approach is that it will significantly reduce the credit exposure of the parties, eliminating the need for CleanPowerSF to post collateral with SCE for this contract.

² Because electricity transmission and distribution systems do not separate electricity by renewable and nonrenewable sources, providers purchase Renewable Energy Credits (RECs) to account for the contracted amount of renewable energy. RECs are tradeable, non-energy commodities that represent proof that 1 megawatt-hour of electricity was generated from an eligible renewable energy resource and was fed into a shared power system. RECs carry all renewable and environmental attributes associated with the production of electricity from the eligible renewable energy resources underlying it. Renewable Energy Credit prices are set by the markets for these credits in each state.

All costs associated with the agreement will be paid from CleanPowerSF revenues. These costs are included in the approved CleanPowerSF FYE19 and FYE20 budgets. SFPUC will include the cost of the FYE21 agreement in the next budget request.

POLICY CONSIDERATION

When the Board of Supervisors approved File 19-0013 in January 2019, the Board amended the resolution to require SFPUC to return to the Budget & Finance Committee to present the FY 2017-18 annual report on the CleanPowerSF program. According to SFPUC, staff submitted the FY 2017-18 annual report on the CleanPowerSF program to the Board on February 7, 2019.

RECOMMENDATION

Approve the proposed resolution.

Item 8 Files 19-0739	Department: Real Estate Division
EXECUTIVE SUMMARY	
Legislative Objectives	
<ul style="list-style-type: none"> • File 19-0739 is a resolution authorizing the Director of Real Estate to execute an amended and restated ten year commercial lease, with two, five year options to extend, between the City and County of San Francisco as Landlord, and Volunteers in Medicine, DBA Clinic by the Bay as Tenant, for the City-owned property at 35 Onondaga Avenue. The amendment increases the city allowance for tenant improvements by \$1,000,000, from \$410,000 to \$1,410,000 (revised Total Allowance). 	
Key Points	
<ul style="list-style-type: none"> • 35 Onondaga Avenue and 45 Onondaga Avenue are City-owned properties in the City's Outer Mission–Ingleside neighborhoods. In December 2018, the Board of Supervisors approved leases with Clinic by the Bay, a nonprofit organization, for 35 Onondaga, and Art Span, a nonprofit organization, for 45 Onondaga. The leases were for 10 years through 2029 with two (2) five-year options to extend through 2039. • The original lease with Clinic by the Bay for 35 Onondaga provided for improvements to the two buildings. The City was to contribute \$410,000 for base building improvements to 35 Onondaga and 45 Onondaga, which included infrastructure improvements to the buildings and restoration of historic murals within the building. At the time of approval of the original leases, total improvement costs were estimated to be \$1 million. Due to the potential costs of the work, according to the original lease, Clinic by the Bay had the right to terminate the lease within four months of the lease commencement date if the scope of improvements exceeded the organization's financial capacity. According to the City's Real Estate Division, base building improvements to the two buildings are now expected to cost \$1.539 million with the tenant to cover any amount beyond the \$1.4 million City contribution for base building improvements. 	
Fiscal Impact	
<ul style="list-style-type: none"> • Estimated base rent paid to the City over the initial 10-year term (including estimated annual CPI increases of 3 percent) by Clinic by the Bay is \$0.54 million, and by ArtSpan is \$0.58 million, totaling \$1.12 million. These rents would be offset by (a) the tenant improvement allowance of up to \$1.4 million, and (b) potential annual rent abatements for repair and maintenance of the HVAC system up to an estimated \$0.19 million. Because the City's contribution for tenant improvements and rent abatement for HVAC system maintenance of approximately \$1.59 million exceeds estimated rent of \$1.12 million by \$0.47 million, the Budget and Legislative Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors. 	
Recommendation	
<ul style="list-style-type: none"> • Approval of the proposed resolution is a policy matter for the Board of Supervisors. 	

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

35 Onondaga Avenue and 45 Onondaga Avenue are City-owned properties in the City's Outer Mission – Ingleside neighborhoods. These properties were formerly used by the Department of Public Health but have been vacant since 2011. The Office of Economic and Workforce Development and the City's Real Estate Division advertised a leasing opportunity for nonprofit organizations to lease the two Onondaga Avenue properties in January 2017 with proposals due in March 2017. The City received responsive proposals from Clinic by the Bay, a nonprofit organization, to lease 35 Onondaga Avenue (File 18-1095), and Art Span, a nonprofit organization, to lease 45 Onondaga Avenue (18-1094). In December 2018 the Board of Supervisors approved leases between the City and Volunteers in Medicine DBA Clinic by the Bay for 35 Onondaga (File 18-1095) and Art Span for 45 Onondaga (File 18-1094). According to Andrico Q. Penick, the City's Director of Real Estate, the nearly two years between the RFP process and execution of a lease were necessary due to the nonprofit organizations' concerns about the financial obligation to make tenant improvements in light of the age, condition and considerable infrastructure improvements needed at both buildings.

The original lease with Clinic by the Bay for 35 Onondaga provided for improvements to the two buildings. The City was to contribute \$410,000 for base building improvements to 35 Onondaga and 45 Onondaga, which included infrastructure improvements to the buildings and restoration of historic murals within the building. At the time of approval of the original leases, total improvement costs were estimated to be \$1 million. Due to the potential costs of the work, according to the original lease, Clinic by the Bay had the right to terminate the lease within four months of the lease commencement date if the scope of improvements exceeded the organization's financial capacity. According to the City's Real Estate Division, base building improvements to the two buildings are now expected to cost \$1.539 million with the tenant to cover any amount beyond the \$1.4 million City contribution for base building tenant improvements. Tenant-specific improvement costs will continue to be the sole responsibility of the tenant. Due to the potential costs of the tenant-specific improvement work, according to the original leases, ArtSpan and Clinic by the Bay have the right to terminate their respective leases within four months of the lease commencement date if the scope of tenant improvements exceeds the organization's financial capacity. Upon any termination, City will not be obligated to disburse any outstanding allowance balance for work not yet performed, and will receive the direct benefit of any costs previously contributed by City to the base building.

DETAILS OF PROPOSED LEGISLATION

File 19-079 is a resolution authorizing the Director of Real Estate to execute an amended and restated ten-year commercial lease, with two five year options to extend, between the City and County of San Francisco as Landlord, and Volunteers in Medicine, DBA Clinic by the Bay, as tenant, for the City-owned property at 35 Onondaga Avenue. The amendment increases the City contribution for tenant improvements by \$1,000,000, from \$410,000 to \$1,410,000.

The tenant improvement budget will cover the costs of base building improvements (e.g. roofing, HVAC, plumbing etc.), while building improvements necessary for the non-profits' operations will be paid for by the non-profits. That original base building cost estimate of \$410,000 was based upon a third party analysis from 2016. The tenant hired a contractor in early 2019 and detailed investigations deemed the original estimate to be insufficient.

FISCAL IMPACT

Estimated base rent paid to the City over the initial 10-year term (including estimated annual CPI increases of 3 percent) by Clinic by the Bay is \$544,764, and by ArtSpan is \$583,832, totaling \$1,128,596. These rents would be offset by (a) the tenant improvement allowance of up to \$1,410,000, and (b) potential annual rent abatements for repair and maintenance of the HVAC system up to an estimated \$188,099. As a result, the City's contribution for tenant improvements and rent abatement for HVAC system maintenance of \$1,598,099 exceeds estimated rent of \$1,128,596 by \$469,503.

According to an estimate provided by Nibbi Construction, the contractor selected by the nonprofit Tenant to carry out the construction, the necessary infrastructure improvements are expected to cost approximately \$1,538,702, of which \$1,410,000 would be contributed by the City and \$128,705 will be jointly paid by the tenants at the properties. The City will not release payment of any portion of its allowance without appropriate and complete documentation and verification of work and costs. The cost breakdown for improvements is provided below in Exhibit 1.

Exhibit 1: Budget for base building improvements needed at 35 and 45 Onondaga Avenue

Description	Cost
General Conditions/requirements	\$ 125,934
Abatement	162,543
Carpentry/framing	13,240
Roofing	131,665
Joint Sealants	10,327
Aluminum, glass and glazing	113,631
Drywall	29,430
Flooring	61,289
Painting/wallcovering	47,708
Plumbing	56,975
Fire Protection	117,347
HVAC	116,040
Electrical	366,968
<i>Subtotal</i>	<i>\$1,353,097</i>
Additional Costs	
Property Liability and Damage	17,022
Overhead/Profit (10%)	137,012
Business tax	4,512
Construction Contingency (2%)	27,062
TOTAL	\$1,538,705

Source: Cost estimate included in Exhibit F in lease agreement

POLICY CONSIDERATION

The increased tenant improvement allowance was deemed to be appropriate given the extensive infrastructure needs at the property. The cost estimate was provided by Nibbi Construction, the Tenant's contractor, and was not independently verified by another contractor. According to the proposed amended lease, the City will not release payment of any portion of its allowance without appropriate and complete documentation and verification of work and costs

Because the work will be completed by the Tenant and the City is not entering into a contract with Nibbi Construction, the Tenant is not required to complete a competitive bidding process to select a contractor.

RECOMMENDATION

Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Item 9 File 19-0463	Department: Recreation and Parks Department (RPD)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would approve a lease at 500 Jefferson Street between the Recreation and Parks Department (RPD) as landlord and South End Rowing Club (SERC) as tenant, for a term of 25 years, with an option to extend for an additional 24 years, and annual rent of 10 percent of gross revenues (four percent of gross revenues derived from the Alcatraz Invitational). The proposed ordinance would also waive the Administrative Code’s market rent determination requirement and affirm the Planning Department’s findings under the California Environmental Quality Act (CEQA). <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • SERC was founded in 1873 and is the oldest rowing club in the Western United States. Its current premises at 500 Jefferson Street contain a 17,262 square foot building that includes boat storage and boat repair space, a gym, locker rooms, a kitchen, a dayroom, and a boat launch dock. SERC has approximately 1,150 members and is open to the public three days a week. SERC’s current lease with RPD expires June 30, 2028. After completing recent capital improvements, SERC wishes to establish a new lease to update the boundaries of the premises, provide access through the Hyde Street gate, and provide a lease term that aligns with the useful life of the capital improvements. • The proposed ordinance would authorize a new lease with SERC for a term of 25 years, through June 2044, with an option to extend for an additional 24 years, through June 2068. SERC would pay rent equal to 10 percent of gross revenues, with the exception of four percent of gross revenues derived from the Alcatraz Invitational. As SERC is a non-profit that must provide public recreation and maintain its premises, RPD is requesting to waive the Administrative Code requirement to determine market rent. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • As SERC membership and gross receipts fluctuate year-to-year, and there is no minimum rent guarantee, revenues are difficult to predict. In 2018, RPD received \$78,518 in rent. With rent decreasing to four percent of gross revenues from the Alcatraz Invitational (which is a fundraiser for SERC), there would be a slight reduction in annual rent received. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed ordinance to (a) urge that SERC and the Dolphin Club be accessible to the public on all days and hours that SERC and the Dolphin Club are open to members; and (b) request the Department to amend the proposed lease to either (i) delete the extension option, or (ii) make the option to extend the lease solely at the City’s discretion. • Approve the proposed ordinance as amended. 	

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

The South End Rowing Club (SERC) is a non-profit organization that was founded in 1873 and is the oldest rowing club in the Western United States. It has occupied its current location at 500 Jefferson Street in Fisherman's Wharf since 1938. The premises contain a 17,262 square foot building that includes boat storage and boat repair space, a gym, locker rooms, a kitchen, a dayroom, and a boat launch dock. SERC has approximately 1,150 members and is open to the public three days a week. It also hosts swimming and rowing events that are open to the public.

In 1979, the Board of Supervisors approved a lease with SERC for a term of 25 years, from July 1979 through June 2004, with an option to extend for an additional 24 years through June 2028,¹ and rent equal to 10 percent of all gross revenues. The Recreation and Park Department (RPD) exercised the option to extend, and the lease is set to expire June 30, 2028.

SERC recently completed approximately \$2.6 million in capital improvements. SERC replaced its one-story lower boathouse with a two-story structure, expanding the locker rooms and workout rooms, improving access, and creating additional storage space for boats in the boathouse. RPD and SERC would like to establish a new lease to update the boundaries of the premises, provide access through the Hyde Street gate, and provide a lease term that aligns with the useful life of the capital improvements. In September 2018, the Recreation and Park Commission approved the lease.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would approve a new lease between RPD as landlord and SERC as tenant, for a term of 25 years, from approximately July 2019 through June 2044, with an option to extend for an additional 24 years, through June 2068. Under the lease, SERC would continue to pay rent equal to 10 percent of all gross revenues, with the exception that it would pay four percent of gross revenues derived from the Alcatraz Invitational.² SERC would be required to continue providing public access three days a week, with any changes to public access hours requiring RPD approval.

¹ The original lease had a 25-year option to extend through June 2029, but the First Amendment, also approved by the Board of Supervisors in 1979, reduced the option to 24 years, through June 2028.

² According to Ms. Suen, the percentage rent was decreased for the Alcatraz Invitational because it is annual fundraising event for SERC, used to fund repairs and maintenance of the premises. SERC's profits from the event have decreased in recent years, partially due to increased permitting fees from entities such as the San Francisco Fire Department, U.S. Coast Guard, and National Park Service. According to Ms. Suen, SERC had requested a full waiver of Alcatraz Invitational percentage rent, but RPD and SERC eventually agreed to four percent.

The proposed ordinance would also waive the Administrative Code requirement to determine market rent. According to Ms. Jackie Suen, RPD Property Manager, RPD is requesting to waive this requirement because of the non-profit nature of SERC's operation. Under City Charter Section 4.113, RPD must promote and foster a program of organized public recreation of the highest standards. To meet this goal, SERC must keep its membership and day usage open and affordable to the general public, ensuring a public recreational benefit and not an exclusive benefit only enjoyed by members of a private club. According to Ms. Suen, the purpose of the lease is to ensure public access to recreation, rather than revenue generation.

The proposed ordinance would also affirm the Planning Department's determination that the lease complies with the California Environmental Quality Act (CEQA).

FISCAL IMPACT

Under the proposed lease, SERC would pay rent equal to 10 percent of gross revenues, with the exception that it would pay four percent of gross revenues derived from the Alcatraz Invitational. SERC has requested this exception because the Alcatraz Invitational is an annual fundraising event to fund repairs and maintenance of the premises.

The lease does not have a minimum guaranteed rent. According to Ms. Suen, SERC membership levels fluctuate throughout the years, but there are consistent costs to keep the premises open to the public and properly maintained. As SERC is a non-profit, all revenues it raises must be used to further its mission and improve the premises. According to Ms. Suen, since RPD does not incur costs from the property, no minimum guaranteed rent is needed.

Rents paid by SERC vary year-to-year, so they are difficult to project in future years. For example, SERC paid \$73,995 in 2016, \$55,705 in 2017, and \$78,518 in 2018. SERC paid \$9,886 from the Alcatraz invitational in 2018, with 10 percent of gross receipts paid in rent. If the Alcatraz Invitational rent had been reduced to four percent of gross receipts, it would have paid \$3,954 or \$5,932 less than it did.

POLICY CONSIDERATION

Under the proposed lease, SERC allows public access to three days per week. Under City Charter Section 4.113, RPD must promote and foster a program of organized public recreation of the highest standards. According to Recreation and Park Commission policy, Recreation and Park Department property leased to private organizations is to be accessible to the public on the same terms as the members of the private organization. According to Ms. Suen, although SERC is open more than three days per week, the Recreation and Park Department determined that SERC needed to be open to the public only three days per week because the Dolphin Club, located next to SERC at 502 Jefferson Street, is open for public access on alternating days for the same \$10 day use fee. The two clubs coordinate facility use and events that allows for public access to the changing rooms, fitness facilities, and water six days per week. The Board of Supervisors should amend the proposed ordinance to urge that SERC and the Dolphin Club be accessible to the public on the days and hours that SERC and the Dolphin Club are open to members.

The proposed lease is for 25 years to allow SERC to fully amortize the improvements made by SERC to the property. The proposed lease provides for an option to extend the lease by an additional 24 years at the tenant's option.³ Because the tenant improvements will be fully amortized at the end of the initial lease term, and because the City may have other priorities for the use of the site after 25 years, the Board of Supervisors should request the Department to amend the proposed lease to either (1) delete the extension option, or (2) make the option to extend the lease solely at the City's discretion.

RECOMMENDATIONS

1. Amend the proposed ordinance to (a) urge that SERC and the Dolphin Club be accessible to the public on all days and hours that SERC and the Dolphin Club are open to members; and (b) request the Department to amend the proposed lease to either (i) delete the extension option, or (ii) make the option to extend the lease solely at the City's discretion.
3. Approve of the proposed ordinance as amended.

³ The option to extend the lease may not be exercised if the tenant is in default or has assigned the lease to another tenant.

Item 10 File 19-0464	Department: Recreation and Parks Department (RPD)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would approve a new lease at 1 Yacht Road between the Recreation and Park Department (RPD) as landlord and Golden Gate Yacht Club (GGYC) as tenant, for a term of 18 years, from approximately July 2019 through June 2037, and rent equal to 10 percent of gross revenues, with initial minimum annual rent of \$85,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • GGYC is a non-profit organization that was founded in 1939. Its location at 1 Yacht Road comprises approximately 22,000 square feet of land and water area, including a clubhouse, grounds, dock space, a parking area, and nine boat berths, with about 370 linear feet of berth. GGYC currently has about 300 members and also allows docking and clubhouse access for non-members. • GGYC's lease expired May 31, 2017 and has been on holdover status since then. A new lease is needed to document new information regarding GGYC's requirements at the premises, such as new berth assignments in the Marina Harbor, a requirement for an educational youth sailing program (with financial aid available), and a requirement for GGYC to fund a maintenance account for their maintenance obligations at the clubhouse. • The proposed ordinance would authorize a new lease with GGYC for a term of 18 years, from July 2019 through June 2037, and rent equal to 10 percent of gross revenues, with initial minimum annual rent of \$85,000, adjusted annually based on the Consumer Price Index (CPI). As GGYC is a non-profit that must provide public recreation and maintain its premises, RPD is requesting to waive the Administrative Code requirement to determine market rent. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Over the 18-year term of the lease, RPD would receive at least \$1,530,000 in minimum rent. RPD expects to receive the minimum rent, rather than percentage rent. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed ordinance to urge that GGYC be accessible to the public on all days and hours that GGYC is open to members. • Approve the proposed ordinance as amended. 	

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

The Golden Gate Yacht Club (GGYC) is a non-profit organization that was founded in 1939. Its location at 1 Yacht Road near the Marina Green comprises approximately 22,000 total square feet of land and water area, including a clubhouse, grounds, dock space, a parking area, and nine boat berths, with about 370 linear feet of berth. GGYC currently has over 300 members and also allows docking and clubhouse access for non-members.

After incurring severe damage in the 1989 Loma Prieta earthquake, GGYC received a renovation loan of \$369,900 from the U.S. Small Business Administration (SBA) in 1990, with a loan increase of \$37,400 in 1992. In April 1992, the Board of Supervisors approved a lease between the Recreation and Park Department (RPD) and GGYC for a term of 40 years, from June 1992 through May 2032, and rent equal to 10 percent of gross revenues, with initial minimum annual rent of \$18,000. In February 1999, the Board of Supervisors approved the First Amendment to the lease, reducing the term to 25 years through May 2017, with a five-year option to extend through May 2022, reducing the percentage rent to 7.5 percent of gross revenues for the period of March 1993 through January 1999, and increasing the initial minimum annual rent to \$54,000 (File 98-1923, Ordinance 16-99). The option to extend was not exercised, and the lease has been in holdover status since May 31, 2017. According to Ms. Jackie Suen, RPD Property Manager, a new lease was needed to document new information regarding GGYC's requirements at the premises, such as new berth assignments in the Marina Harbor, a requirement for an educational youth sailing program (with financial aid available), and a requirement for GGYC to fund a maintenance account for their maintenance obligations at the clubhouse.

RPD and GGYC have negotiated a new lease. In September 2018, the Recreation and Park Commission approved the lease. According to Ms. Suen, the nearly two-year delay between the expiration of the existing lease in May 2017 and introduction to the Board of Supervisors in April 2019 was due to lease negotiations related to the harbor maintenance fund. During the two-year holdover period, GGYC paid rent of \$155,783.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would approve a new lease between RPD and GGYC, for a term of 18 years, from approximately July 2019 through June 2037, and rent equal to 10 percent of gross revenues, with initial minimum annual rent of \$85,000. The minimum annual rent would be adjusted annually based on the Consumer Price Index (CPI). Additionally, GGYC would pay a Harbor Maintenance Surcharge Fee equal to 10 percent of membership fees and dock fees, which would be used for harbor maintenance costs, such as dredging. GGYC would also deposit the lesser of three percent of gross receipts or \$45,000 into a maintenance fund, with an

annual spending plan that must be approved by RPD. The key provisions of the lease are shown in Table 1 below.

Table 1: Key Provisions of GGYC Lease

Premises	Approximately 22,000 square feet of land and water area
Term	18 years
Percentage Rent	10% of gross revenues
Initial Minimum Annual Rent	\$85,000
Minimum Annual Rent Adjustment	Annually based on Consumer Price Index (CPI)
Harbor Maintenance Surcharge Fee	10% of membership fees and dock fees
Maintenance Fund	Lesser of 3% of gross revenues or \$45,000
Security Deposit	\$5,000 (retained from previous lease)
Taxes, Assessments, & Licenses	Paid by tenant
Utilities	Paid by tenant

The lease also requires GGYC to continue operating its youth sailing programs and providing public access. Any changes to GGYC bylaws, membership policies, public access fees, and dues would require Recreation and Park Commission approval.

The proposed ordinance would waive the Administrative Code requirement to determine fair market rent. According to Ms. Suen, RPD is seeking to waive this requirement because the purpose of the lease is to ensure public access to sailing recreation. Under City Charter Section 4.113, RPD must promote and foster a program of organized public recreation of the highest standards. To meet this goal, GGYC must keep its membership and day usage open and affordable to the general public, ensuring a public recreational benefit and not an exclusive benefit only enjoyed by members of a private club.

The proposed ordinance would also affirm the Planning Department's determination with the California Environmental Quality Act (CEQA).

FISCAL IMPACT

Over the 18-year term of the lease, RPD would receive at least \$1,530,000 in minimum rent. According to Ms. Suen, RPD expects to receive the minimum rent, which would be below the percentage rent.

According to Ms. Suen, the initial minimum rent of \$85,000 was determined through RPD's negotiations with GGYC and a CPI adjustment from the original date through 2018.

POLICY CONSIDERATION

Under City Charter Section 4.113, RPD must promote and foster a program of organized public recreation of the highest standards. According to Recreation and Park Commission policy, Recreation and Park Department property leased to private organizations is to be accessible to the public on the same terms as the members of the private organization. According to Ms. Suen, GGYC is currently open the same days and hours for both members and non-members.¹

¹ GGYC is currently open Thursdays 4-10 pm, Fridays 4-8 pm, Saturdays 12-8 pm, and Sundays 12-7 pm.

However, the lease only requires GGYC to be open for public access one half of total days and hours it is open to members, with at least one weekend day and evening per week. The Budget and Legislative Analyst recommends amending the proposed ordinance to urge that the GGYC site be accessible to the public on the days and hours that GGYC is open to members.

RECOMMENDATIONS

1. Amend the proposed ordinance to provide that the GGYC site be accessible to the public on the days and hours that GGYC is open to members.
2. Approve the proposed ordinance as amended.

Item 12 File 19-0602	Department: Human Services Agency (HSA)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would retroactively approve the second amendment to the contract between the Human Services Agency (HSA) and the San Francisco Unified School District (SFUSD) for the provision of preschool support and staff training to (1) increase the amount by \$7,979,733 from \$9,977,114 for a total amount of \$17,956,847, and (2) to extend the grant term by two years to commence July 1, 2019, for the total agreement term of July 1, 2016, through June 30, 2021. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In December 2016, the Human Services Agency (HSA), in partnership with the Office of Early Care and Education (OECE), obtained a sole source waiver for the provision of preschool support and staff training services. In March 2017, the San Francisco Unified School District (SFUSD) was awarded a contract for the provision of preschool support and staff training services in a total not to exceed amount of \$9,977,114 for the term of July 1, 2016 through June 30, 2019. • Under the existing contract, as part of the Preschool for All program, SFUSD’s Early Education Department directly operates 76 pre-kindergarten classes of general and special education students, provides professional development and training workshops to approximately 80 Early Education Department teachers and para-professional educators, and partners with First 5 San Francisco to implement the Quality Rating and Improvement System (QRIS), as well as data collection and analysis on research projects regarding the Kindergarten Observation Form. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Actual and projected contract expenditures through June 30, 2019, are \$9,540,572. Total expenditures through June 30, 2021 are \$17,002,791, including a 10 percent contingency for FY 2019-20 and FY 2020-21, which is \$954,057 less than the contract not-to-exceed amount of \$17,956,847. Therefore, the proposed resolution should be amended to reduce the contract not-to-exceed amount by \$954,057, from \$17,956,847 to \$17,002,791. • The contract is funded through the General Fund subject to Board of Supervisors appropriation approval in the HSA annual budget, as well as the Public Education Enrichment Fund (PEEF). <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • According to HSA, SFUSD has met the requirements for the contract’s monitoring report objectives and met contract deliverables. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to reduce the contract not-to-exceed amount by \$954,057, from \$17,956,847 to \$17,002,791. • 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 2016, the Human Services Agency (HSA), in partnership with the Office of Early Care and Education (OECE), obtained a sole source waiver for the provision of preschool support and staff training services. In March 2017, the San Francisco Unified School District (SFUSD) was awarded a contract for the provision of preschool support and staff training services in a total not to exceed amount of \$9,977,114 for the term of July 1, 2016 through June 30, 2019. In June 2018, HSA entered into the first contract amendment to use \$217,124 in contingency funds to fund a pilot program called Shoestrings, which was procured under a Request for Qualifications (RFQ), and provides SFUSD students with intensive instructional support from teachers that have backgrounds in Special Education, as well as additional support services such as counseling, behavioral interventions, and occupational therapy. The total not-to-exceed amount of the contract did not change.

Under the existing contract, as part of the Preschool for All program, SFUSD's Early Education Department directly operates 76 pre-kindergarten classes of general and special education students, provides professional development and training workshops to approximately 80 Early Education Department teachers and para-professional educators, and partners with First 5 San Francisco to implement the Quality Rating and Improvement System (QRIS), as well as data collection and analysis on research projects regarding the Kindergarten Observation Form.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve the second amendment to the contract between the Human Services Agency (HSA) and the San Francisco Unified School District (SFUSD) for the provision of preschool support and staff training to (1) increase the amount by \$7,979,733 from \$9,977,114 for a total amount of \$17,956,847, and (2) to extend the grant term by two years to commence July 1, 2019, for the total agreement term of July 1, 2016, through June 30, 2021. The scope of services will not change under the proposed amendment. The proposed second amendment to the existing contract between HSA and SFUSD is retroactive to July 1, 2019 due to administrative delays in calendaring the resolution.

According to HSA, the existing contract term needs to be extended by two years in order to continue the Preschool for All program. The proposed second amendment would allow for a total contract term of five years from July 1, 2016 through June 30, 2021.

Sole Source Waiver

As previously mentioned, the existing contract with SFUSD for the provision of preschool support and staff training services were procured using a sole source waiver obtained by HSA. According to HSA, SFUSD was chosen as the provider for the contract through sole source rather than a competitive bidding process because the Preschool for All program is specific to the SFUSD's Early Education Department classrooms and no other early care and education program performs these duties within the SFUSD system. In addition, over one-third of the subsidized early childhood education slots are provided through SFUSD and conducted at the public school facilities where SFUSD is the sole agency operating. HSA states that SFUSD has been providing these services for San Francisco since 2013.

The Human Services Agency conducts an internal determination of sole source grant agreements to non-profit organizations¹. The sole source waiver is approved by the Office of Contract Administration based on the following criteria, including (a) goods and services are only available through one source, (b) only one prospective vendor is willing to contract with the City, (c) the goods or services are licensed or patented to a single vendor; and (d) the item has design and/or performance features that are essential to the department, and no other source satisfies the City's requirements.

FISCAL IMPACT

Actual and projected contract expenditures through June 30, 2019, are \$9,540,572². Total expenditures through June 30, 2021 are \$17,002,791, including a 10 percent contingency for FY 2019-20 and FY 2020-21, which is \$954,057 less than the contract not-to-exceed amount of \$17,956,847. Therefore, the proposed resolution should be amended to reduce the contract not-to-exceed amount by \$954,057, from \$17,956,847 to \$17,002,791.

¹ While Administrative Code Chapter 21 requires sole source goods and services to be made in accordance with the Director of the Office of Contract Administration's regulations, Section 21.02 states that grants to nonprofit organizations to provide community services are not covered by Chapter 21.

² According to HSA, SFUSD prefers to bill the entire year in one invoice at the end of the fiscal year. However, SFUSD billed for six months in December 2018 for FY 2018-19.

Table 1. SFUSD Contract Budget

Actual and Projected Expenditures	Amount
FY 2016-17	\$2,786,780
FY 2017-18	3,485,458
FY 2018-19	3,268,334
Actual Expenditures	\$9,540,572
Budgeted Expenditures	
FY 2019-20	3,350,042
FY 2020-21	3,433,793
Budgeted Expenditures	6,783,835
10% Contingency	678,384
Total	17,002,791

The contract is funded through the General Fund subject to Board of Supervisors appropriation approval in the HSA annual budget, as well as the Public Education Enrichment Fund (PEEF)³.

The contract budget provides for an annual Cost of Doing Business for projected cost escalation, which is subject to appropriation by the Board of Supervisors in the annual budget. The funding escalation of 2.5 percent is already in the FY19-20 City budget, due to the City's two-year budgeting. As such, the portion subject to future appropriation begins in FY20-21.

POLICY CONSIDERATION

According to HSA, SFUSD has met the requirements for the contract's monitoring report objectives and met contract deliverables. The program monitoring included a review of the program and outcome objectives, staff development and training activities, program policies and procedures, accessibility and cultural competence of program materials, outreach procedures, staffing patterns/job descriptions, reporting requirements, and client data tracking.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the contract not-to-exceed amount by \$954,057, from \$17,956,847 to \$17,002,791.
2. Approve the proposed resolution.

³ In March of 2004, San Francisco voters approved the ballot initiative Proposition H. The passage of Proposition H established the Public Education Enrichment Fund (PEEF) as law within the City Charter, Section 16.123.1-10. PEEF provides funding to improve the quality of education for the youth of San Francisco and is shared by SFUSD and San Francisco's Office of Early Care and Education. The first third of the total PEEF fund is allocated to San Francisco's Office of Early Care and Education for preschool support. The second third supports sports, libraries, the arts, and music (SLAM). The last third - Other General Uses - funds programs such as wellness centers, student support professionals, translation services, and peer resources.