CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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April 18, 2025

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: April 23, 2025 Budget and Finance Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would retroactively authorize the Planning Department to accept and expend a $7,000,000 grant award from the U.S. Department of Housing and Urban Development's (HUD) Pathways to Removing Obstacles to Housing program for the period from January 22, 2025 through September 30, 2030 and approve the grant agreement.

Key Points

- HUD provides grant funding to local governments to address local housing barriers (such as outdated land use policies and regulations and risks associated with a housing stock that is aging) through the Pathways to Removing Obstacles to Housing (PRO Housing) program. The Planning Department applied for $7.0 million in grant funding in response to the August 2024 Round 2 Notice of Funding Opportunity (NOFO) for the program and received a notice of award in January 2025.
- The proposed grant would support process improvements to accelerate permitting timelines and improve consistency in the entitlement process, preservation of the City's Single Room Occupancy buildings and affordable housing development on sites owned by faith-based organizations, expansion of housing types (particularly in high-resourced neighborhoods), and development of a community benefits framework to determine how to address desired benefits in equity communities without increasing the cost of housing.

Fiscal Impact

- Grant activities are funded by the proposed $7.0 million HUD grant (41 percent), approximately $7.8 million from the City's General Fund (46 percent), and other grants (13 percent). The HUD program does not require matching funds but awarded additional points to proposals that leverage other funding sources.
- The grant budget includes $10.5 million for salaries and benefits for City staff, including $3.9 million from the proposed grant, to support 7.0 to 8.0 FTE per year over the grant term.

Policy Consideration

- Some of the activities include work that is ongoing or planned within City department programs and some of the activities are new and rely on the proposed grant funding, such as contracts with third-party firms for improved permitting systems. Such contracts would not be awarded if the grant funds were paused or cancelled, but staff supported work to improve workflows and use of existing systems would require additional General Fund support to backfill the lost revenues.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

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

The U.S. Department of Housing and Urban Development (HUD) provides grant funding to local governments to address local housing barriers (such as outdated land use policies and regulations and risks associated with a housing stock that is aging) through the Pathways to Removing Obstacles to Housing (PRO Housing) program. The Planning Department applied for $2.0 million in grant funding as part of the Round 1 grant program but did not receive an award.[1] The Planning Department applied for $7.0 million in grant funding in response to the August 2024 Round 2 Notice of Funding Opportunity (NOFO) for the program and received a notice of award in January 2025.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively authorize the Planning Department to accept and expend a $7,000,000 grant award from the United States Department of Housing and Urban Development's Pathways to Removing Obstacles to Housing program for the period from January 22, 2025 through September 30, 2030 and approve the grant agreement.

The grant is retroactive because the Planning Department received notice of the award on January 24, 2025 (after the grant start date of January 22, 2025) and the proposed resolution was introduced on March 11, 2025.

Matching Funds

According to Round 2 NOFO, the program does not require matching funds but awarded a maximum of 10 points (out of 100 total points) to proposals that leverage other funding sources equal to at least 50 percent of the grant. The Planning Department's proposal included $9.9 million in other funds equal to 142 percent of the $7.0 million grant award and received the full

[1] According to the proposed resolution, the City appropriated $2.0 million in FY 2024-25 for PRO Housing grant activities in anticipation of a Round 1 award, which the City did not receive.

10 points for leveraging other funds. As detailed in Exhibit 2 below, the $9.9 million in other funds includes $7.8 million from the City's General Fund and $2.1 million from other grants.

Grant Activities

According to the Planning Department's application for grant funds. The grant and other city funds will support the following activities:

1. **Development process improvements** to accelerate permitting timelines and improve consistency in the entitlement process, including improvements to permitting systems, updates to technology, policy, and municipal codes, custom software to improve transparency and the applicant experience (such as an impact fee calculator, online application portal, and project review workspace for planners).
2. **Affordable housing production, preservation, and stabilization** activities to preserve the City's Single Room Occupancy (SRO) buildings and promote affordable housing development on sites owned by faith-based organizations, including a capital needs assessment of Single Room Occupancy (SRO) buildings and legislative changes and capital funding to replace or rehabilitate SROs; and trainings and permitting support for Faith Based Organizations.
3. **Expand housing types, particularly in high-resourced neighborhoods**, including development of pre-approved schematic designs for small-scale multi-family housing (two to nine units), updates to land use controls and tenant protections, and identification of publicly owned sites suitable for housing development.
4. **Prioritize community benefits in equity communities** to prevent displacement in low-income communities of color where most of the recent housing production has occurred and to ensure existing residents benefit from development. Specifically, this activity includes drafting and implementing a community benefits framework to assess existing requirements and use of fee revenues and determine how desired community benefits could be addressed; and development of policies and legislation to implement community benefits without increasing the cost of housing production and preservation.

Performance Goals

According to the NOFO, the Planning Department must comply with HUD reporting requirements, including submission of quarterly progress reports throughout the grant term. Exhibit 1 shown below shows potential performance goals for the grant activities according to the Planning Department's grant application.

Exhibit 1: Draft Performance Goals for Grant Activities

Measure	Goal
Average time to entitlement and time to building permit approval	Reduce by 50%
Number of faith-based organizations entering the training program	6 to 12 program participants
Number of affordable units entitled on faith-based land and percent located in high-resourced areas	At least 25-50% of affordable units located in high-resourced areas
Increased zoning capacity for homes in high-resourced areas (Number of new net units)	Capacity created for at least 36,200 additional units
Number and percent of homes entitled in high-resourced areas, both market rate and affordable	25-50% of affordable units located in high-resourced areas
Number and percent of homes built in priority equity geographies using streamlined community benefit legislation	Identification of community benefits priorities in 4 to 6 priority equity communities and adoption of objective standards and/or practices addressing priorities of each community

Source: Grant Application, Exhibit G

Grant activities and goals align with the City's policy goals in the Housing Element 2022 Update. The Board of Supervisors could request that the Planning Department report annually on the proposed grant performance measures during the department's budget presentation.

FISCAL IMPACT

Grant activities are funded by the proposed $7.0 million HUD grant (41 percent), approximately $7.8 million from the City's General Fund (46 percent), and other grants (13 percent). Exhibit 2 below shows the proposed grant budget.

Exhibit 2: Sources and Uses for Proposed Grant Activities

Sources	**Amount**	**Percent**
HUD PRO Housing Grant (Proposed Grant)	$7,000,000	41.4%
City General Fund	7,752,626	45.8%
Metropolitan Transportation Commission (MTC) Grant[2]	1,035,000	6.1%
U.S. Department of Transportation Grant (DOT)[3]	1,000,000	5.9%
CA Department of Housing & Community Development (HCD) Grant[4]	128,000	0.8%
Total Sources	**$16,915,626**	**100.0%**
Uses		
Salaries	7,505,686	44.4%
Fringe Benefits	2,957,240	17.5%
Equipment	211,100	1.2%
Permit Technology System	211,100	
Consultants	700,000	4.1%
Process Improvement	350,000	
Architectural & Development Experts	200,000	
Financial Feasibility & Environmental Review	150,000	
Contracts and Sub-Grantees	4,758,000	28.1%
MTC Grant*	1,035,000	
DOT Grant*	1,000,000	
HCD Grant*	128,000	
SRO Preservation Framework & Needs Assessment	275,000	
SRO Rehabilitation Fund	190,000	
Faith-Based Org Training Program	200,000	
Community Benefits	150,000	
Predevelopment Grant to Faith-Based Orgs	480,000	
Grants to CBOs for Community Benefit Workshops	300,000	
Priority Equity Geographies Fellowship Program & Community Engagement Fund	1,000,000	
Other Direct Costs	783,600	4.6%
Permit Streamlining Measures at 5 Key Permitting Agencies	750,000	
Fee-waivers for Interagency Project Review of Faith-Based Orgs	33,600	
Total Uses	**$16,915,626**	**100.0%**

Source: Grant Budget

*According to Planning Department staff, other grants will likely fund staff time and contracts related to the grant activities, but staff did not provide a breakdown of expenditures

[2] The MTC Priority Development Areas (PDA) Planning Grant provides funding for rezoning and land use policy amendments and affordable sites analysis.

The proposed grant, along with City sources and other grants, provide approximately $10.5 million for salaries and benefits for City staff, which reflects 62 percent of the proposed budget. Over the five-year and eight-month term, the budget funds 40.07 full-time equivalent (FTE) positions cumulatively, or approximately 7.0 to 8.0 FTE annually, as shown in Exhibit 3 below. According to Planning Department staff, all positions are existing and none are currently vacant.

Exhibit 3: Total Staff Hours Over the Grant Period

Job Classification	Total Hours	Cumulative FTE
Planner I (5277)	2,080	1.00
Planner II (5278)	5,408	2.60
Planner III (5291)	15,080	7.25
Planner IV (5293)	13,104	6.30
Planner V (5283)	2,184	1.05
Manager IV (0932)	6,240	3.00
Manager V (0933)	6,240	3.00
Division Director (0953)	1,040	0.50
Sr. Community Development Specialist I (9774)	17,264	8.30
Sr. IS Business Analyst (1053)	987	0.47
Project Manager 1 (5502)	6,240	3.00
Project Manager 2 (5504)	1,248	0.60
Administrative Analyst (1822)	6,240	3.00
Total	**83,355**	**40.07**

Source: Grant Budget

POLICY CONSIDERATION

Federal Funding Disbursement

According to Planning Department staff, some of the activities include work that is currently ongoing or planned within City department programs and some of the activities are new activities and rely on the proposed grant funding. For example, contracts with third-party firms for improved permitting systems rely on grant funds. Such contracts would not be awarded if the grant funds were paused or cancelled. Staff supported work to improve workflows and use of existing systems is matched with funding from the General Fund and could continue without grant funds.

[3] The DOT Build America Bureau Innovative Finance and Asset Concession Grant provides funding for technical assistance joint-development program with SFMTA. According to Planning Department staff this grant was awarded to SFMTA for its Joint Development Program, and the cooperative agreement was executed in December 2024.

[4] The HCD Regional Early Action Planning (REAP) Grant provides funding for community stabilization activities in priority equity geographies.

Based on the grant budget, Activities 1 and 2 would be more greatly impacted than Activities 3 and 4 if the PRO Housing grant funds are not disbursed. As shown in Exhibit 4 below, the HUD PRO Housing grant reflects at least half of all funding for Activities 1 and 2, and less than one-third of all funding for Activities 3 and 4. Including the $1.0 million DOT grant, which was previously awarded to the SFMTA, federal funding reflects 47 percent of Activity 3 funding.

Exhibit 4: PRO Housing Grant Funding by Grant Activity

Grant Activity	HUD PRO Housing Grant	DOT Grant	City Funds and Other Grants	Total	% Federal Grant
Activity 1: Development Process Improvements to Unlock the Pipeline	$2,893,324		$2,341,855	$5,235,179	55%
Activity 2: Affordable Housing Production, Preservation, and Stabilization	1,316,806		1,282,786	2,599,592	51%
Activity 3: Expand Housing Types, Esp. in High-Resourced Neighborhoods	1,558,257	1,000,000	2,924,118	5,482,375	47%
Activity 4: Streamlined Community Benefits in Priority Equity Geographies	1,121,672		2,366,868	3,488,540	32%
Activity 5: Grant Administration	109,940			109,940	100%
Total	**$7,000,000**	**$1,000,000**	**$9,915,626**	**$16,915,626**	**47%**

Source: Grant Application, Exhibit D

RECOMMENDATION

Approve the proposed resolution.

Item 4 **File 25-0261**	**Department:** Airport

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Airport Commission to accept and expend a grant from the FAA AIG Program for the Boarding Area G Gates Enhancement Project in an amount not exceeding $66,294,812, plus additional amounts up to 15 percent (or $76,239,034). The grant has a term from October 1, 2024, through September 30, 2028. The Airport is required to provide matching funds equal to 25 percent of total grant-eligible project costs, which is approximately $22.1 million. The proposed resolution also authorizes the Airport to enter into a grant agreement for the proposed revenues.

Key Points

- On November 15, 2021, President Biden signed into law the Infrastructure Investment and Jobs Act of 2021 (i.e., the Bipartisan Infrastructure Law). The Bipartisan Infrastructure Law included $15 billion for the newly established Airport Infrastructure Grants (AIG) Program. Under the AIG Program, the Federal Aviation Administration (FAA) administers available funding to eligible airports over a five-year period for airport infrastructure projects. The San Francisco International Airport (Airport) applied for AIG Program grant funds for the Boarding Area G Gates Enhancement Project.

- The proposed grant would partially fund the Boarding Area G Gates Enhancement Project to construct, design and upgrade 25 passenger boarding bridges in Boarding Area G that connects aircraft to the International Terminal building for passengers to board and exit. Installed approximately 25 years ago, these boarding bridges are frequently removed from service for maintenance and repair.

- Design-build work on the project commenced in January 2025. The project is expected to be completed in November 2027. The Airport anticipates receiving the FAA grant funds in July 2025.

Fiscal Impact

- The total cost of the Boarding Area G Gates Enhancement Project is $143 million. The total grant-eligible project cost is $88.4 million, of which the proposed grant is funding 75 percent ($66.3 million). The Airport is funding the remaining cost of the project ($76.7 million), including a required 25 percent match ($22.1 million) for grant-eligible costs, with General Airport Revenue bonds. No indirect costs are included in the budget to maximize use of grant funds.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

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

On November 15, 2021, President Biden signed into law the Infrastructure Investment and Jobs Act of 2021 (i.e., the Bipartisan Infrastructure Law). The Bipartisan Infrastructure Law (BIL) included $15 billion for the newly established Airport Infrastructure Grants (AIG) Program. Under the AIG Program, the Federal Aviation Administration (FAA) administers available funding to eligible airports over a five-year period for airport infrastructure projects. BIL funding will be allocated through two programs: formula allocations and competitive grants for airport traffic control and tower projects. The AIG Program reimburses up to 75 percent of eligible airport project costs.

According to FAA AIG Program allocations as of February 13, 2025, the San Francisco International Airport was allocated $186,000,081 from federal FY 2021-22 to FY 2024-25.[1] Although the grant allocation is not competitive, the airports still apply to the FAA for specific projects to draw down the grant funding. The San Francisco International Airport (Airport) applied for AIG Program grant funds for the Boarding Area G Gates Enhancement Project. In February 2025, Airport staff received a Notice of Intent to award from the FAA for the Boarding Area G Gates Enhancement Project.

Airport Commission Approval

On March 4, 2025, the Airport Commission authorized the Airport Director to accept and expend an anticipated $66,294,812 in AIG Program funding, subject to approval by resolution of the Board of Supervisors.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Airport Commission to accept and expend a grant from the FAA AIG Program for the Boarding Area G Gates Enhancement Project in an amount not exceeding $66,294,812, plus additional amounts up to 15 percent (or $76,239,034).[2] The grant

[1] According to the Airport, the proposed grant is being funded by the $186 million. The Airport was awarded two grants totaling $14.4 million in FY 2023 and two grants totaling $13.2 million in FY 2024. The remaining $158.4 million in AIG grant revenues will fund this proposed $66.3 million grant. The Airport is also applying for the Runway 1L-19R & Taxiway W Project. With these two projects for FY2025, the plan is to use the remaining $158.4 million.

[2] According to Airport staff, this “15 percent” clause is standard language included in all Airport grant resolutions in case additional grant funding becomes available.

has a term from October 1, 2024[3], through September 30, 2028. The Airport is required to provide matching funds equal to 25 percent of total grant-eligible project costs, which is approximately $22.1 million based on the grant budget. However, the Airport anticipates funding $76.7 million of total project costs, which includes $54.6 million in costs that are not eligible for AIG Program grant funds.

The proposed resolution also authorizes the Airport to enter into a grant agreement for the proposed revenues. According to the Airport, a grant agreement is pending and is anticipated to be received in July 2025.

Project Scope

The Boarding Area G Gates Enhancement Project will construct, design and upgrade 25 passenger boarding bridges in Boarding Area G that connects aircraft to the International Terminal building for passengers to board and exit. Installed approximately 25 years ago, these boarding bridges are frequently removed from service for maintenance and repair. The project will design, maintain and/or construct the following:

- 25 new passenger boarding bridges with devices that provide heating, cooling and dehumidifying for each bridge;
- New foundation systems to meet up with updated building codes;
- 400Hz (electric power) connection at each gate;
- Potable water at each gate for aircraft use;
- Advanced visual docking guidance system for each gate to track energy use and improve safety;
- Rehabilitation and reconstruction of apron pavement[4];
- New water line that feeds the fire hydrant system; and
- Disposal and removal of all existing bridges and associated infrastructure.

The Airport began design-build work and programming in January 2025. The project is expected to be completed in November 2027.

Contracted Services

According to Airport staff, Austin-Webcor JV (AWJV) is the prime design-built contractor for the project. AWJV was selected through a Request for Qualifications/Request for Proposals process. In May 2024, the Airport issued an RFP/RFQ for design-build services and received five proposals. The Airport convened a four-member selection panel[5] that reviewed and scored proposers based on criteria such as technical proposals, oral interview and cost. Based on the evaluations by the

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[3] According to the Airport, the start date is October 1, 2024 because this is the beginning of the current Federal Fiscal Year. With the award anticipated in Summer 2025, the grant award is technically in this current Federal Fiscal Year and has a four-year term.

[4] This is the paved surface area where aircraft are parked, serviced, and prepared for departure, also known as the "tarmac".

[5] This includes two Airport Commission employees, one project manager from San Francisco Public Works, and one member of the aviation industry

selection panel, AWJV scored the highest[6] and was awarded a contract of $27,702,679 in November 2024. According to the November 2024 Airport Commission memo, the forecasted total contract value at completion is $131 million funded from the Ascent Program – Phase 1.5 under the Airport's Capital Improvement Plan.

In addition, AGS, Inc. (AGS) is the project management support services (PMSS) contractor for the project. AGS was selected through a Request for Qualification/Request for Proposal (RFQ/RFP) process. In February 2024, the Airport issued an RFP/RFQ for PMSS services and received three proposals. The Airport convened a four-member selection panel[7] that reviewed proposals and scored proposers based on criteria such as experience and qualifications, personnel, project approach and oral interviews. Based on the evaluations by the selection panel, AGS scored the highest[8] and was awarded a $6,000,000 contract in October 2024.

FISCAL IMPACT

The total cost of the Boarding Area G Gates Enhancement Project is $143 million, as shown in Exhibit 1 below. According to Airport staff, 38 percent of the project budget (or $54.6 million) is not eligible for funding under the AIG program because certain components of the scope of work are ineligible according to FAA priorities. The total grant-eligible project cost is $88.4 million, of which the proposed grant is funding 75 percent ($66.3 million). The Airport is funding the remaining cost of the project ($76.7 million), including a required 25 percent match ($22.1 million) for grant-eligible costs, with General Airport Revenue bonds. No indirect costs are included in the budget to maximize use of grant funds.

The Airport anticipates receiving the FAA grant funds in July 2025.

Exhibit 1. Boarding Area G Gates Enhancement Project Budget (Estimates as of December 2024)

Sources	**Amount**
Proposed Grant	$66,294,812
General Airport Revenue Bonds	76,705,188
Total Sources	**$143,000,000**
Uses	
Airport Internal Staff Costs	$2,687,004
Professional Services/Project Management	14,557,678
Construction	125,659,354
IT Costs	95,964
Total Uses	**$143,000,000**

Source: Airport

[6] Out of 2000 total possible points, AWJV scored 1876.87, Hensel Phelps scored 1874.10 and Skanska scored 1812.50. The selection panel only interviewed the three highest-ranked proposers.

[7] This includes two Airport Commission employees and two members of the project management industry

[8] Out of 550 total possible points, AGS, Inc scored 537.90 and 3D Built scored 402. One proposal received did not meet the RFP's minimum qualifications and was deemed non-responsive.

RECOMMENDATION

Approve the proposed resolution.

Item 5 **File 25-0331**	**Department:** Public Utilities Commission

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a customer administrative services contract between the San Francisco Public Utilities Commission (SFPUC) and Calpine Community Energy (Calpine) in the amount not to exceed $17,000,000 for a duration of three years, commencing on April 30, 2025, through April 30, 2028, to provide meter data management, billing, and customer care services.

Key Points

- Following a competitive Request-For-Proposals, Calpine Community Energy received the highest evaluation score and was selected to continue providing CleanPowerSF's customer administrative services.
- Calpine is audited annually through a System and Organization Controls audit to verify that it has an effective system of controls. The most recent audit for the period of January through December 2023 had no findings. In addition, CleanPowerSF hires an auditor for Green-e Energy Certification, which reports having a billing accuracy rate of 99.989 percent and a billing timeliness (3 days or less) of 99.996 percent.
- The contractor must commit at least $200,000 in direct community benefits and submit, within 60 days of the Notice of Contract Award (following Board of Supervisors approval), a Social Impact Partnership Work Plan that names the beneficiaries, dollar amounts, performance benchmarks, and schedule for delivery. Local Business Enterprise requirements were waived due to the lack of feasible local subcontracting opportunities.

Fiscal Impact

- The proposed resolution would authorize a $17,000,000 contract with Calpine Energy Solutions LLC, funded by CleanPowerSF customer revenues.
- Each active customer will have a meter rate of $0.8433 per month, nearly 15 percent cheaper per meter than the current contract.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

In May 2016, the San Francisco Public Utilities Commission (SFPUC) launched the CleanPowerSF Community Choice Aggregation (CCA) program to provide cleaner and more sustainable electricity supply to San Francisco customers at comparable rates to those offered by Pacific Gas & Electric Company (PG&E). CleanPowerSF uses clean and renewable energy purchased from various power producers and clean energy technologies, including SFPUC's Hetch Hetchy hydroelectric power. SFPUC contracts with Calpine Energy Solutions LLC (Calpine) for CleanPowerSF meter data management, customer care, and billing services, which has a term November 20, 2015, to April 30, 2025, and was approved by the Board of Supervisors most recently in July 2024 (File 24-0582).

Request-For-Proposals

On June 13, 2024, the SFPUC advertised a Request-For-Proposals (RFP) for this work, with proposals due by July 24, 2024. The SFPUC and Contract Monitoring Division staff, upon review of the proposal scores, determined that Calpine is the highest ranked firm based on the established scoring criteria. Proposals were evaluated based on several key criteria, including Technical Written Proposals (895 points), Fee Schedule (100 points), Diversity, Equity, and Inclusion Submittal (5 points), Social Impact Partnership Bonus (44.75 points). Organizations that agreed to the Community Benefits provision were provided with a bonus between 7.5 and 10 percent of their subtotal as detailed below in Exhibit 1.

Exhibit 1: Request-For-Proposals Score Summary (1044.75 Possible Points)

Evaluation Phase	Calpine Community Energy	Sacramento Municipal Utility District
Written (895)	831.93	773.55
Fee Schedule (100)	100.00	74.00
DEI (5)	5.00	5.00
Subtotal	936.93	852.55
SIP Bonus Points (44.75)	41.05	0
Total	**977.98**	**852.55**
Rank	**1**	**2**

Source: SFPUC

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a customer administrative services contract between the San Francisco Public Utilities Commission (SFPUC) and Calpine Community Energy (Calpine) in the amount not to exceed $17,000,000 for a duration of three years, commencing on April 30, 2025, through April 30, 2028, to provide meter data management, billing, and customer care services.

The contract may be extended by up to an additional three years, however doing so would require Board of Supervisors approval.

Scope of Work

The contractor is responsible for all aspects of billing, data handling, customer care management and phone communication systems, and customer demand reporting for CleanPowerSF. This includes collecting usage data from PG&E, ensuring timely and accurate bills, updating customer records, and maintaining secure data backups. The contractor also manages the customer management system and phone communication tools used by CleanPowerSF staff, such as call-tracking and automated messaging systems. In addition, the contractor generates regular energy-use reports, submits data to the California Independent System Operator, and supports renewable energy compliance.

The contract also includes two subcontractors: LanguageLine Solution LLC, for interpretation services and See Change Institute, which provides behavior science consulting to support targeted customer communications initiatives for low income and other customer groups.

Local Business Enterprise

The Contract Monitoring Division waived the LBE requirement for this contract because no feasible local subcontracting opportunities were identified for the specialized services offered under this contract.

Community Benefits Commitments

The contractor is required to commit a minimum of $200,000 in community benefits in the form of direct financial contributions. Within 60 days of the Notice of Contract Award (which occurs after the Board of Supervisors review and other approvals), they must submit a Social Impact Partnership (SIP) Work Plan to the SFPUC for review.

The SIP Work Plan, rather than the previously used contract's Appendix A, now lists the chosen beneficiary or beneficiaries, the dollar amount and type of each commitment, performance benchmarks, and an execution schedule. According to the SFPUC, moving beneficiary details to the plan gives contractors flexibility to confirm nonprofit capacity, adjust to changing community needs, and reduce contract amendments. The Work Plan is reviewed with SFPUC staff, approved, and updated annually.

Performance

According to CleanPowerSF, Calpine is audited annually through a System and Organization Controls audit to verify that it has an effective system of controls related to security, availability, processing integrity, confidentiality, and/or privacy. The most recent audit for the period of January through December 2023 had no findings. In addition, CleanPowerSF hires an auditor for Green-e Energy Certification, which includes annual spot checks for billing accuracy for SuperGreen and SuperGreen Saver customers. Calpine reports having a billing accuracy rate of 99.989 percent and a billing timeliness (3 days or less) of 99.996 percent.

FISCAL IMPACT

The proposed resolution would authorize a $17,000,000 contract with Calpine Energy Solutions LLC. The breakdown of the estimated budget is detailed below in Exhibit 2. The proposed not to exceed amount is sufficient for the initial three-year term of the contract, but not the optional three-year extension term.

Exhibit 2: Total Contract Budget (April 2025 – April 2028)

Description	Amount
Billing and Data Management and Exchange	$11,991,726
Growth in number of accounts over time	379,397
Customer Communications Systems	568,800
Additional Deliverables	
Email Marketing Platform (ODC)	225,000
Load Management Standards Compliance	300,000
Forecasting Services	225,000
Behavioral Science Consulting (50 hours)	30,000
Additional Data Storage Fee	207,900
Customer Analytics and Program Management Services	1,500,000
PG&E Billing System Modifications Contingency	1,572,177
Total	**$17,000,000**

Source: SFPUC

Note: The subcontractor See Change delivers the Behavior Science Consulting Line Item ($30,000) to support outreach to low-income customers for SFPUC's SuperGreenSaver discount program. LanguageLine provides live translation services for non-English speaking customers and the work is included as a portion of the Customer Communications Systems line item.

Meter and Data Rates

The Contractor bid during the RFP process a rate of $0.8433 per month for each active customer meter that is enrolled and served by CleanPowerSF each month. That is nearly 15 percent cheaper per meter than was previously budgeted for the previous 6-month extension term of the last contract. Contractor also made a bid for a rate of $0.04 per month for each active customer meter that is enrolled and served by CleanPowerSF each month for use of Contractor's customer communications technology platform. If SFPUC chooses to increase data retention from 24 months to 60 months, that will add $0.015 per meter to the monthly rate.

Labor Rates

The Additional Deliverables noted above will billed at a labor rate of $200.00 per hour unless otherwise agreed upon in writing by both parties prior to the commencement of additional work. Beginning in 2026, Contractor's payment in effect for Services listed in this Agreement can be escalated annually by the Consumer Price Index West Region. However, the maximum labor rate is capped at $220 per hour, unless the SFPUC Contract Manager and Contract Administration Bureau Manager authorize an increase to the rate in writing.

Source of Funds

The cost of the proposed contract is funded by CleanPowerSF customer revenues.

RECOMMENDATION

Approve the proposed resolution.

Items 14 & 15 Files 25-0253 & 25-0254	Department: City Administrator's Office (ADM)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolutions would approve insurance brokerage services contracts between the Risk Management Division (Risk Management) and (1) Arthur J. Gallagher & Co. Risk Management Services, LLC (Gallagher), for an amount not to exceed $30,000,000 (File 25-0253); and (2) Alliant Insurance Services, Inc. (Alliant), for an amount not to exceed $85,000,000 (File 25-0254). Each contract would have a three-year term from July 2025 through June 2028, with a six-year option to extend through June 2034.

Key Points

- Risk Management uses insurance brokerage services to purchase insurance for City Departments, including property, liability, and other forms of third-party insurance. In January 2024, Risk Management issued a Request for Qualifications (RFQ) for insurance brokerage and risk management services and qualified five firms for brokerage services, including Alliant and Gallagher. The City has existing brokerage services contracts with Alliant and Gallagher, which were approved by the Board of Supervisors in April 2022. Due to the existing relationship with Alliant and Gallagher and their access to the global insurance marketplace, Risk Management awarded them new contracts.
- Both contracts provide property insurance. The City's contract with Gallagher is specific to Port assets, as the City is unable to insure Port assets under the Alliant Property Insurance Program due to the Pier 45 fire in May 2020 and the unique characteristics of Port property. The contract with Alliant is for City assets that are either revenue generating, such as enterprise assets and the Fine Arts Museums, or as required by bond financing covenants.

Fiscal Impact

- The proposed contracts would have a combined not-to-exceed amount of $115,000,000 over the initial three-year terms. This amount is a rough estimate based on projections provided by the insurance brokers, which were provided before the Los Angeles area fires and tariff increases.
- The funding for premiums is paid through work orders from the various City departments for which the insurance is procured. Due to the volatility and complexity of the insurance market, quotes for premiums will not be available until approximately 15 days before the contracts take effect in July 2025.

Recommendation

- Approve the proposed resolutions.

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 City Administrator's Risk Management Division (Risk Management) uses insurance brokerage services to purchase insurance for City Departments, including property, liability, and other forms of third-party insurance. These brokers are responsible for assisting Risk Management in evaluating City departments' insurance needs and assuring that City departments have the appropriate level of insurance coverage.

In January 2024, Risk Management issued a Request for Qualifications (RFQ) for insurance brokerage and risk management services. Risk Management received five responses and an evaluation panel scored them, as shown in Exhibit 1 below.[1]

Exhibit 1: Proposers and Scores from RFQ

Proposer	Average Score (out of 100 Points)
Arthur J. Gallagher & Co. (Gallagher)	93.25
Aon	90.50
Merriwether & Williams Insurance Services, Inc.	88.50
Alliant Insurance Services, Inc. (Alliant)	86.75
Marsh USA, Inc.	86.75

Source: Risk Management

All respondents exceeded the minimum score of 75 points and were deemed to be qualified and eligible for contracts.

The City has existing brokerage services contracts with Alliant and Gallagher, which were approved by the Board of Supervisors in April 2022 (Files 22-0196 and 22-0197). The contracts expire June 30, 2025 but have three two-year options to extend through June 2031. According to Matt Hansen, Risk Management Director, the City Attorney's Office advised Risk Management to issue a new RFQ rather than extend existing contracts to separate brokerage services from consulting services. Due to the existing relationships with Alliant and Gallagher and their access to the global insurance marketplace, Risk Management awarded them new contracts.[2]

[1] The evaluation panel included a Finance Manager from San Francisco International Airport, a Chief Financial Officer from the Port of San Francisco, a Risk Manager from San Francisco Public Utilities Commission (SFPUC), and a Director from the Risk Management Division.

[2] Risk Management has existing contracts with each of the prequalified firms, except Marsh. Following the RFQ, Risk Management entered into a new contract with Aon and extended the existing contract with Merriwether. These contracts did not require Board of Supervisors approval because they did not exceed 10 years or $10 million.

DETAILS OF PROPOSED LEGISLATION

The proposed resolutions would approve insurance brokerage services contracts between Risk Management and (1) Gallagher, for an amount not to exceed $30,000,000 (File 25-0253) and (2) Alliant, for an amount not to exceed $85,000,000 (File 25-0254). Each contract would have an initial three-year term from July 2025 through June 2028, with a six-year option to extend through June 2034.

These contracts provide the City with property insurance coverage. The City's contract with Gallagher is specific to Port assets, as the City is unable to insure Port assets under the Alliant Property Insurance Program due to the Pier 45 fire in May 2020 and the unique characteristics of Port property. The contract with Alliant is for City assets that are either revenue generating, such as enterprise assets and the Fine Arts Museums,[3] or as required by bond financing covenants. According to Director Hansen, the vast majority of insurance is purchased by the City's enterprise departments, predominantly the Airport, Port, San Francisco Municipal Transportation Agency (SFMTA), and San Francisco Public Utilities Commission (SFPUC). It is also purchased for facilities that are publicly financed and miscellaneous City facilities, such as City Hall. Insurance is purchased for specific assets, which may be added to, or removed from, the portfolio over the term of the contract. The City is self-insured for all other non-insured assets.

FISCAL IMPACT

The proposed contracts would have a combined not-to-exceed amount of $115,000,000 over the initial three-year terms. According to Director Hansen, this amount is a rough estimate based on projections provided by the insurance brokers, which were provided before the Los Angeles area fires and tariff increases. Due to the volatility and complexity of the insurance market, quotes for premiums will not be available until approximately 15 days before the contracts take effect in July 2025.

According to Kelly Hines-Hernandez, Risk Management Deputy Director, actual premium costs in FY 2024-25 were $22,864,044 for Alliant and $8,915,703 for Gallagher, for a total of $31,779,747. Alliant projects increases of approximately two percent in FY 2025-26, seven percent in FY 2026-27, and 15 percent in FY 2027-28. Gallagher projects increases of 20 percent in FY 2025-26 and FY 2026-27 and 15 percent in FY 2027-28. The projections provided by the brokers are shown in Exhibit 1 below.

[3] The works of art are insured under a separate policy with Alliant.

Exhibit 1: Projected Annual Contract Expenditures

Broker	FY 2024-25 Actuals	FY 2025-26 Projected	FY 2026-27 Projected	FY 2027-28 Projected	Total 3-Year Estimate	Contract Not-to-Exceed Amount
Alliant	$22,864,044	$23,321,325	$24,953,818	$28,696,890	**$76,972,033**	**$85,000,000**
Gallagher	8,915,703	10,698,844	12,838,612	14,764,404	**38,301,860**	**30,000,000**
Total	**$31,779,747**	**$34,020,168**	**$37,792,430**	**$43,461,294**	**$115,273,893**	**$115,000,000**

Source: Risk Management, from Alliant and Gallagher

According to Deputy Director Hines-Hernandez, Gallagher's projections tend to be on the high end and include property valuation increases, while Alliant's projections tend to be on the low end and do not include property valuation increases. At this time, Risk Management anticipates a lower than projected increase for the Gallagher contract in FY 2025-26 and therefore believes that the $30 million not-to-exceed amount will likely be sufficient for the three-year term. On the other hand, Risk Management has built a buffer into the Alliant contract in case the estimates are too low. Estimates made several months in advance can change significantly based on market conditions and claims experience.

The funding for premiums is paid through work orders from the various City departments for which the insurance is procured. Alliant and Gallagher pass through insurance premiums negotiated with insurance carriers across the global market. According to Director Hansen, broker charges would be similar if sold through other prequalified firms as they negotiate from the same insurance markets, although Alliant and Gallagher have access to different specialized components of the market.

RECOMMENDATION

Approve the proposed resolutions.