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

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: January 27, 2016 Budget and Finance Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

- File 15-1275: Resolution determining and declaring the public interest and necessity demand the construction, acquisition, improvement and betterment of critical community health, emergency response and safety and animal care facilities for earthquake safety and the payment of costs necessary or convenient for the foregoing purposes; finding that the estimated $350,000,000 cost for such improvements is too great to be paid out of the ordinary annual income and revenue of the City and will require incurring bonded indebtedness; adopting findings under the California Environmental Quality Act (CEQA), Administrative Code Chapter 31 and the Planning Code; and waiving time limits in Administrative Code, Section 2.34.
- File 15-1276: Ordinance calling and providing for a special election to be held on June 7, 2016 in order to submit to San Francisco voters a proposition to incur $350,000,000 for construction, acquisition, improvement and betterment of critical community health, emergency response and safety and animal care facilities for earthquake safety and related costs.

Key Points

- The proposed 2016 Public Health and Safety General Obligation Bond would fund four projects: (1) $222 million for seismic upgrades and renovations for the existing San Francisco General Hospital (SFGH-Building 5); (2) $30 million for a renovation and expansion of the Southeast Health Center; (3) $44 million for constructing a new Fire Department ambulance deployment center and (4) $54 million for a new seismically safe Animal Care and Control shelter.

Fiscal Impact

- The $350,000,000 GO bond does not include approximately $12,500,000 additional costs for furniture, fixtures and equipment, which cannot be paid with bond proceeds. These additional costs will likely need to be funded with General Funds, subject to appropriation approval by the Board of Supervisors.
- The $350,000,000 GO Bonds will have a projected annual interest rate of 6.0 percent with each issuance over 20 years, assuming three issuances, resulting in estimated total debt service payments of $603,999,767, including $253,999,757 in interest and $350,000,000 in principal, with average annual debt service payments of $27,454,535. Debt service would be paid from increased Property Taxes, such that an owner of a single family residence with an assessed value of $600,000 would pay average annual additional Property Taxes to the City of $54.27 per year.
- As of January 1, 2016, there was $1,972,113,899 of General Obligation Bonds outstanding, or approximately 1.01% of the total assessed value of property in the City. If the $350,000,000 of General Obligation Bonds is issued, the total outstanding General Obligation Bonds would total $2,322,113,899, or approximately 1.19% of the total assessed value of property.

Recommendation

- Approval of the proposed ordinance and resolution to submit a $350 million General Obligation bond to San Francisco voters for the June 2016 ballot is a policy decision for the Board of Supervisors.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

According to Article 16, Section 18(a) of the State of California Constitution, no county, city, town, township, board of education, or school district, shall incur any indebtedness or liability for any purpose exceeding in any year the income and revenue provided for such year, without the approval of two-thirds of the voters of the public entity voting at an election to be held for that purpose. Section 9.105 of the City's Charter provides that the Board of Supervisors is authorized to approve the issuance and sale of General Obligation bonds in accordance with State law or local procedures adopted by ordinance.

City Administrative Code Section 2.34 requires that (1) a resolution of public interest and necessity for the acquisition, construction or completion of any municipal improvement be adopted by the Board of Supervisors not less than 141 days, and (2) an ordinance ordering the submission of the proposal to San Francisco voters be adopted by the Board of Supervisors not less than 99 days, before the election at which such proposal will be submitted to the voters. These time limits may be waived by resolution of the Board of Supervisors.

Background

City's Ten-Year Capital Plan

The City's Ten Year (FY 2016-2025) Capital Plan, approved by the Board of Supervisors on April 21, 2015, provides an assessment of the City's capital needs, the investment required to meet those needs and a detailed plan to finance capital improvements over the next ten years. This Capital Plan recommends $23 billion in direct City investments plus $9 billion of external funding, for a total of $32 billion in capital improvements over the next ten years, including a $311 million Public Health and Safety General Obligation (GO) Bond to be submitted to San Francisco voters for the June 2016 ballot. This $311 million GO Bond included:

(a) $192 million to seismically retrofit and renovate the existing San Francisco General Hospital (SFGH) (Building 5);

(b) $30 million for renovation and expansion of the Department of Public Health's (DPH) Southeast Health Center;

(c) $49 million to seismically retrofit and renovate the City's Animal Care and Control facility; and

(d) $40 million for a new seismically safe expanded Fire Department Ambulance Deployment Center.

San Francisco General Hospital Campus

The new Priscilla Chan and Mark Zuckerberg San Francisco General Hospital and Trauma Center (Zuckerberg San Francisco General), constructed with $887 million of 2008 San Francisco voter-approved General Obligation bonds and significant private gifts and donations, is scheduled to open in the Spring of 2016. In preparation for the opening of this new facility, the Department

of Public Health (DPH) and the Department of Public Works contracted with SOHA Engineers, a structural engineering firm, at a total cost of $303,015 to evaluate the structural performance of the adjacent older 1970s-era existing hospital facility (Building 5). This evaluation found that significant corrective structural work was needed to reinforce and improve the seismic safety of this facility, as well as fire and life safety and related regulatory requirements and renovations.

Once the new Zuckerberg San Francisco General acute care and trauma center opens and patients are transferred from Building 5, this older 1970s-era existing main hospital facility is proposed to be seismically and structurally upgraded to house outpatients, urgent care and the City's psychiatric emergency services. It should be noted that the overall San Francisco General Hospital campus includes 15 buildings which provide various health services, eight of which need seismic safety improvements[1]. Mr. Brian Strong, Director of the Capital Planning Program advises that a future GO bond in 2022 is anticipated to be requested for seismic improvements for SFGH Buildings 80/90. In addition, DPH is currently studying the feasibility of future uses for the eight buildings that would seek alternate financing mechanisms, to offset the use of General Fund monies. These studies are anticipated to be completed in the summer of 2016.

Southeast Health Center

The Department of Public Health (DPH) owns and operates ten neighborhood-based primary care health centers[2], including the 17,000 square foot Southeast Health Center, which opened in 1979 at 2401 Keith Street in the Bayview Hunters Point neighborhood. The Southeast Health Center provides acute and chronic illness services, preventive medical care, prenatal, mental health and substance abuse care, as well as dental, optometry and podiatry care. DPH advises that while improvements have been made and planned for the other health centers, the Southeast Health Center facility is both outdated and inadequate to serve the growing needs of the patient community and unique because DPH wants to relocate behavioral health services from leased space into a new adjacent addition to the Southeast Health Center facility in order to develop an integrated model of health care to better meet the needs of vulnerable and at-risk individuals and families.

Fire Department Ambulance Deployment Facility

In 2015, the Fire Department responded to more than 100,000 emergency medical service calls, an average of 274 calls per day, transporting approximately 55,000 patients to local hospitals. A new dynamic deployment model fully implemented by July 2009 strategically deploys ambulances from specified locations throughout the City, depending on demands for emergency medical services. The current 1½ story Ambulance Deployment Facility sits on a 64,000 square foot lot, at 1415 Evans Avenue in the Bayview neighborhood, only has space to restock one ambulance at a time, which can delay the turn-around time to return ambulances to serve, slowing emergency response times.

[1] The eight buildings that require seismic safety improvements are: Buildings 1, 9, 10, 20, 30, 40, 80/90 and 100.

[2] DPH's ten health centers are: (1) Castro/Mission, (2) Chinatown, (3) Curry Senior Center, (4) Maxine Hall, (5) Ocean Park, (6) Potrero Hill, (7) Silver Avenue, (8) Southeast, (9) Sunset Mental, and (10) Tom Waddell Clinic.

The proposed bond would construct a new seismically safe 30,000 square foot, three-floor facility and 55,000 square foot parking structure on the City-owned site at 2245 Jerrold Avenue in the Bayview neighborhood. The new facility would include four ambulance restocking bays, ambulance supplies warehouse, locker rooms, on-site training rooms and secure, off-street parking. Currently, 2245 Jerrold Avenue contains Fire Station 9 and three buildings for materials and vehicle storage, two of which would be demolished to allow construction of the new facility. The Fire Department proposes to consolidate its Bureau of Equipment functions from a seismically unsafe unreinforced masonry building at 2510 25th Street to the 1415 Evans Avenue site.

Animal Care and Control Shelter

Animal Care and Control, located at 1200 15th Street in the Mission District, provides animal care and veterinary services including adoptions, health screening, vaccinations, and microchipping, licenses dogs, service animals and commercial dog walkers and protects the public from dangerous animals. The building was constructed in 1931 as a purchaser's warehouse before being converted to an animal shelter in 1988. The building does not meet current health standards for animal care. Based on structural evaluations conducted by DPW in 2013[3], the existing facility is particularly vulnerable to a major earthquake. The proposed bond would construct a new Animal Care and Control facility at 1401-1419 Bryant Street in the Mission neighborhood, which is currently used by the San Francisco Municipal Transportation Agency (SFMTA) for overhead lines maintenance operations and storage.[4] If approved, the Animal Care and Control operations would not move until 2020, or approximately four years from now; over the next 2-3 years, the City will assess the needs and develop a plan for the future use of the 1200 15th Street facility.

DETAILS OF PROPOSED LEGISLATION

File 15-1275: The proposed resolution would (a) determine and declare that the public interest and necessity demand the construction, acquisition, improvement and betterment of critical community health, emergency response and safety and animal care facilities for earthquake safety and the payment of $350,000,000 costs is necessary or convenient for the foregoing purposes; (b) find that a portion of the proposed bond is not a project under the California Environmental Quality Act (CEQA) and adopt findings under CEQA for the remaining portion of the bond; (c) find that the proposed bond is in conformity with the priority policies of Planning Code, Section 101.1(b) and with the General Plan consistency requirement of Charter, Section 4.105 and Administrative Code, Section 2A.53; and (d) waive the time limits set forth in Administrative Code Section 2.34.

[3] "Seismic Evaluation of San Francisco Animal Care and Control Building", prepared by the Structural Engineering Section of the Department of Public Works, March 2013.

[4] SFMTA has determined that it is not financially feasible to seismically upgrade the 1401-1419 Bryant Street facility for vehicle and material storage, and is currently evaluating relocation sites. Final costs are not yet known.

File 15-1276: The proposed ordinance would (a) call and provide for a special election to be held in San Francisco on June 7, 2016 in order to submit to San Francisco voters a proposition to incur $350,000,000 of General Obligation bonded indebtedness to finance the construction, acquisition, improvement and betterment of critical community health, emergency response and safety and animal care facilities for earthquake safety and related costs; (b) specify the tax levy and interest rates; (c) authorize landlords to pass-through 50% of the resulting property tax increase to residential tenants in accordance with Administrative Code Chapter 37; and (d) establish the election provisions.

Under the proposed resolution (File 15-1275) and ordinance (File 15-1276), the Board of Supervisors would:

- find that the estimated $350,000,000 cost of the proposed capital improvements are too great to be paid out of the ordinary annual income and revenue of the City and County of San Francisco (City) and will require expenditures greater than the amount allowed in the existing annual tax levy, thus requiring the City to incur bonded indebtedness;
- find that each of the facilities proposed to be funded with this bond have been reviewed as required by the California Environmental Quality Act (CEQA) and the proposed facilities are either exempt from CEQA or have been analyzed in an environmental document and are consistent with such analysis;
- find that the proposed bond is in conformity with the eight priority policies of Planning Code, Section 101.1(b)[5] and consistent with the City's General Plan;
- authorize landlords to pass-through 50% of the subject property tax increases to residential tenants in accordance with Chapter 37 of the Administrative Code;
- fix the date of June 7, 2016 and the manner of the election, procedures for voting on the proposition, notice of such election and consolidate the special election with the general election;
- fix the maximum rate of interest on the bonds and provide for the levy and collection of property taxes to pay both the principal and interest on the bonds;
- incorporate (a) Administrative Code Chapter 83, authorizing all contracts funded with the proceeds of these bonds be subject to the City's First Source Hiring Program, and (b) Chapter 14B, requiring the Local Business Enterprise and Non-Discrimination in Contracting Ordinance provisions;
- waive the ballot proposition word limit imposed by Municipal Elections Code Section 510;

[5] The Eight Priorities of City Planning Code Section 101.1 include: (1) existing neighborhood-serving retail uses be preserved and enhanced, and future opportunities for resident employment in and ownership of such businesses enhanced; (2) existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods; (3) the City's supply of affordable housing be preserved and enhanced; (4) commuter traffic not impede Muni transit service or overburden our streets or neighborhood parking; (5) a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced; (6) the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake; (7) landmarks and historic buildings be preserved; and (8) parks and open space and their access to sunlight and vistas be protected from development.

- comply with Section 53410 of the California Government Code regarding restrictions on the use of bond proceeds;
- waive Administrative Code Section 2.34 time requirement provisions; and
- incorporate Administrative Code Section 5.30-5.36 provisions regarding the Citizen's General Obligation Bond Oversight Committee (CGOBOC) annual review and report to the Mayor and the Board of Supervisors.

The proposed $350,000,000 General Obligation Bond (which had been previously estimated in the City's Ten Year Capital Plan at $311,000,000) would be referred to as the 2016 Public Health and Safety Bond, and would fund the facilities shown in Table 1 below:

Table 1: Summary of Projects and Costs for the Proposed 2016 GO Bond

Projects	Bond Amount	Description
Existing San Francisco General Hospital (Building 5)	$222,000,000	Seismic improvements, and fire alarm system, fire sprinklers and associated upgrades to electrical and mechanical life and safety systems, including new infection-control and ventilation systems, upgraded restrooms, fixtures, hardware, ADA improvements and modernization of the facility.
Southeast Health Center	30,000,000	Phase I includes $5 million renovation of the existing Southeast Health Center at 2401 Keith Street in the Bayview-Hunters Point neighborhood to expand patient capacity and upgrade and modernize the facility. Phase II includes $25 million construction of a new approximately 20,000 square foot adjacent two-story addition to provide comprehensive behavioral patient health services.
Fire Department Ambulance Deployment Facility	44,000,000	Construction of a new seismically safe 3-floor facility and parking structure at 2245 Jerrold Avenue to accommodate more efficient restocking of four ambulances at one time, including dispatch, training facilities and Fire Department offices.
Animal Care and Control	54,000,000	Construction of a new expanded, modern and seismically safe Animal Care and Control facility at 1401-1419 Bryant Street to replace the existing aged facility at 1200 15th Street.
Total	**$350,000,000**	

Regarding the California Environmental Quality Act (CEQA) findings:

- On February 13, 2015, the Planning Department determined that the proposed SFGH Building 5 project is categorically exempt from CEQA.
- On June 16, 2015, the Planning Department determined that the proposed Southeast Health Center project is categorically exempt from CEQA, as an in-fill development project.
- On December 11, 2015, the Planning Department determined that the proposed Fire Department Ambulance Deployment Facility is categorically exempt from CEQA, as an in-fill development project.

- On January 6, 2016, the Planning Department determined that the Animal Care and Control Facility at 1419 Bryant Street is consistent with the Eastern Neighborhoods Rezoning and Area Plans and is therefore exempt from further environmental review pursuant to CEQA.

FISCAL IMPACT

Rationale for Proposed Costs

According to Mr. Strong, the request for this $350 million Public Health and Safety General Obligation Bond, which was included in the 2016-2025 City 10-Year Capital Plan at $311 million[6], is based on technical studies, seismic analysis, identified locations and projections of the amount of funds needed to renovate and improve these four critical public health, safety and animal control facilities.

Development of these four projects was based on preliminary planning and seismic analysis funded with General Fund appropriations, including (a) $11,375,000 for SFGH in FY 2012-13 through FY 2015-16, (b) $2,500,000 for the Southeast Health Center in FY 2012-13 and (c) $941,289 in FY 2011-12 and FY 2012-13 for Animal Care and Control, which would be reimbursed by the proposed 2016 GO Bond funds, if approved by the voters.

A breakdown of the estimated costs for the four proposed projects is shown in Table 2 below.

Table 2: Estimated Costs for the Four Proposed Projects

	SFGH Existing Hospital	Southeast Health Center	Ambulance Deployment	Animal Care and Control
Arch/Engin/Mgmt.	$61,332,425	$9,506,550	$8,510,000	$10,420,000
Permits	1,920,075	250,000	810,000	870,000
Other City Agencies	750,000	249,700	680,000	710,000
Subtotal Project Control	$64,002,500	$10,006,250	$10,000,000	$12,000,000
Construction	134,539,130	17,125,000	29,470,000	34,200,000
Contingency (15%)	20,180,870	2,568,750	2,830,000	4,400,000
Subtotal Construction	$154,720,000	$19,693,750	$32,300,000	$38,600,000
Inflation Reserve[7]			1,000,000	1,200,000
Construction Delay Reserve[8]				1,300,000
Subtotal			$1,000,000	$2,500,000
Bond Issuance	3,277,500	300,000	700,000	900,000
Total Project Cost	$222,000,000	$30,000,000	$44,000,000	$54,000,000

[6] The Ten Year Capital Plan estimate of $311 million for the subject GO Bond increased to $350 million as a result of additional technical seismic analysis, specific identified locations and further defined scope. The SFGH building is now estimated to cost $222 million (instead of $192 million), the Animal Care and Control facility budget moved $5 million of General Fund costs to bond expenses, increasing the estimated bond cost to $54 million (instead of $49 million) and the Ambulance Deployment Center is now estimated to cost $44 million (instead of $40 million).

[7] Inflation Reserve included to supplement budgeted expenses in the event inflation exceeds budgeted 5% per year. Because of significantly greater upfront planning for SFGH Existing Hospital and Southeast Health Center, DPH is confident that their cost assumptions do not require additional Inflation Reserve.

[8] The Construction Delay Reserve provides additional funding assuming a 5% annual escalation for up to a six-month delay in the event SFMTA is unable to relocate by the May 2018 target date.

The above project costs do not include the costs for furniture, fixtures or equipment, which cannot be paid from the proposed GO bond. Such costs are estimated to total $12,500,000, including $7,800,000 for the SFGH existing hospital, $2,000,000 for the Southeast Health Center, $1,000,000 for the Ambulance Deployment and $1,700,000 for the Animal Care and Control facility. The additional furniture, fixtures and equipment costs, which are included in the City's 5-Year Financial Plan, will likely need to be funded with General Fund monies, subject to future appropriation approval by the Board of Supervisors.

Proposed Bond Financing Costs

If the proposed $350,000,000 Public Health and Safety General Obligation Bonds are approved by San Francisco voters in June of 2016, Ms. Nadia Sesay, Director of the Office of Public Finance anticipates that these bonds would be sold in three issuances in approximately October 2016 ($120 million), January 2018 ($137 million) and January 2019 ($93 million), as summarized in Table 3 below.

Table 3: Sources and Uses of $350,000,000 Public Health and Safety Bonds

Issuances	1: October 2016	2: January 2018	3: January 2019	Total
Total Sources	$120,000,000	$137,000,000	$93,000,000	$350,000,000
Uses				
Project Funds	$118,241,500	$135,065,000	$91,526,000	$344,832,500
CSA Audit Fee	238,500	270,000	183,500	692,500
Total Fund Deposit	$118,480,000	$135,335,500	91,709,500	$345,525,000
Cost of Issuance	$500,000	$500,000	$500,000	$1,500,000
Underwriter's Discount	900,000	1,027,500	697,500	2,625,000
CGOBOC Fees	120,000	137,000	93,000	350,000
Total Uses	$120,000,000	$137,000,000	$93,000,000	$350,000,000

In accordance with Section 5.31 of the Administrative Code, one-tenth of one percent (0.1%) of the bonds gross proceeds shall be deposited into a Controller's Office fund, to be appropriated by the Board of Supervisors to cover the costs of the Citizens' General Obligation Bond Oversight Committee (CGOBOC). The Controller's City Service Audit (CSA) fee, bond issuance costs, underwriter's discount and the CGOBOC fee are included in the total estimated project costs of $350,000,000 reflected in Table 1 above. These costs total approximately $5,167,500, which would be separately charged to each of the projects, based on the actual costs.

According to Ms. Sesay, the $350,000,000 of General Obligation Bonds are projected to have an annual interest rate not to exceed 6.0 percent, with each issuance for 20 years, such that debt service payments will extend from 2017 through 2038, depending on the issuance date. The bonds will result in estimated total debt service payments of $603,999,767, including $253,999,767 in interest and $350,000,000 in principal, with average annual debt service payments of $27,454,535.

Repayment of the annual debt service will be recovered through increases to the annual Property Tax rate. A single family residence with an assessed value of $600,000, assuming a homeowners exemption of $7,000, would pay average annual additional Property Taxes to the

City of $54.27 per year to cover the debt service on the proposed $350,000,000 Public Health and Safety General Obligation Bonds. However, all such property tax increases should be offset through the retirement of existing General Obligation bonds.

The City's Charter imposes a three percent limit on the amount of General Obligation Bonds that can be outstanding at any given time, relative to the total assessed value of property in the City. The FY 2015-16 net assessed value of property in the City is $194,392,571,976, such that the three percent limit is currently $5,831,777,159. According to Ms. Sesay, as of January 1, 2016, there was $1,972,113,899 of General Obligation Bonds outstanding, or approximately 1.01% of the total assessed value of property in the City.

If the subject $350,000,000 General Obligation Bonds are issued, the outstanding General Obligation Bonds would total $2,322,113,899, or approximately 1.19% of the total assessed value of property. However, the proposed issuances would be consistent with the City's approved Ten-Year Capital Plan, which states that General Obligation bonds will be issued such that Property Tax rates will not increase above the FY 2006 Property Tax rates. Therefore, new General Obligation bonds would only be issued as outstanding General Obligation bonds are retired.

POLICY CONSIDERATIONS

Since 2008, San Francisco voters have approved seven General Obligation bonds, totaling $2.8 billion. If the proposed $350,000,000 General Obligation Bond is approved, it would result in a total of $3.15 billion of General Obligation bonds. As noted above, the Ten Year Capital Plan includes a total of $32 billion in capital improvements over the next ten years.

Requires Two-thirds Approval

Approval of the proposed resolution requires two-thirds or more of the Board of Supervisors approval and approval by Mayor. In addition, approval of this $350,000,000 General Obligation Bond would require approval by at least two-thirds of San Francisco voters. The use of GO Bond proceeds to finance any project or portion of any project would also be subject to future appropriation approval by the Board of Supervisors.

Coordination with Jail Mental Health Facilities Project

The proposed $350,000,000 GO bond includes $222,000,000 to renovate and seismically upgrade the existing SFGH hospital (Building 5) for outpatient services, urgent care and the City's only psychiatric emergency services. The Board of Supervisors is also considering the purchase of property adjacent to the Hall of Justice for a jail replacement and/or mental health facility, which may include $80 million of State grant funding. Based on recommendations by the Board of Supervisors, the City has established a Jail Closure Committee whose purpose is to define programming requirements and costs associated with a prisoner mental health facility. DPH advises that the Jail Closure Committee will coordinate with other planned programs, such as the renovation and seismic upgrade of Building 5 that may overlap in the delivery of psychiatric emergency services or behavioral health services in the City.

RECOMMENDATION

Approval of the proposed ordinance and resolution to submit a $350 million General Obligation bond to San Francisco voters for the June 2016 ballot is a policy decision for the Board of Supervisors.

Item 3 File 15-1278	Department: Department of Technology (DT)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance retroactively authorizes the Department of Technology (DT) to enter into the third amendment to the master contract with AT&T to purchase telecommunications services to (1) extend the term of the contract by five years from January 1, 2016 through December 31, 2020; and (2) increase the master contract not-to-exceed amount by $23,810,612 from $97,953,700 to $121,764,312. The proposed ordinance also allows certain non-profit agencies in the City to purchase telecommunications services directly from AT&T at the preferred pricing available to the City.

Key Points

- DT entered into the original master contract with AT&T in 2010 to consolidate citywide purchases of telecommunications services under one contract. The master contract has been amended twice since 2010.
- The second amendment to the master contract was approved by the Board of Supervisors in March 2015 to allow the City to purchase telecommunications services from AT&T using the State's Calnet 3 rates. Based on the recommendation of the Budget and Legislative Analyst, the Board requested the City Administrator and City Services Auditor to evaluate the best possible Calnet 3 rates by type of service. According to the City Services Auditor's report, AT&T's Calnet 3 rates were generally competitive with other Calnet 3 providers.

Fiscal Impact

- According to the budget submitted by DT, the total master contract not-to-exceed amount under the proposed third amendment will increase for the initial four-year term from January 1, 2016 to December 31, 2019 by $24,475,857, from $97,953,700 to $122,429,557. The master contract not-to-exceed amount of $122,429,557 is $665,245 more than the amount of $121,764,312 in the proposed ordinance. Therefore, the proposed ordinance should be amended to increase the master contract not-to-exceed amount by $665,245, from $121,764,312 to $122,429,557. Because the amended master contract not-to-exceed amount of $122,429,557 is more than the $121,764,312 in the publicly-noticed ordinance, the ordinance, as amended, should be continued for one week.

Recommendations

- Amend the proposed ordinance to increase the master contract not-to-exceed amount by $665,245 from $121,764,312 to $122,429,557.
- Continue the proposed ordinance, as amended, to the February 3, 2016 Budget and Finance Committee meeting.

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 2010, the Board of Supervisors authorized a not-to-exceed $75,000,000 master contract between the Department of Technology (DT) and AT&T from March 1, 2010 to August 31, 2014 for the purchase of telecommunications services (File 10-0251). The master contract combined all existing and proposed AT&T services under one citywide master contract as part of DT's effort to consolidate information technology procurement and contracting on a citywide basis. The master contract allowed the City to purchase telecommunications services from AT&T under the best pricing provided by AT&T to other public entities, including (1) the State of California's Integrated Information Network agreement (Calnet 2), (2) the Western States Contracting Alliance agreement, (3) the San Francisco Airport Sonet agreement, and (4) the Merced County agreement.

In March 2015, the Board of Supervisors authorized an amendment to the original master contract with AT&T (File 14-1208) to allow the City to purchase service from AT&T using the State of California's Integrated Information Network agreement (Calnet 3), a competitively bid rate agreement for telecommunications services. Calnet 3 prices for services are less expensive than Calnet 2 because AT&T now competes with other telecommunication providers to offer services.

In addition, based on the Budget and Legislative Analyst's recommendation, the ordinance to amend the master contract with AT&T was amended to (1) shorten the end date from March 1, 2016 to December 31, 2015; (2) decrease the not-to-exceed amount from $101,433,700 to $97,953,700; and (3) request the City Administrator and City Services Auditor to evaluate the best possible Calnet 3 rates and providers by type of service, and report back to the Board of Supervisors prior to October 15, 2015 on recommended telecommunications service providers by type of service. A subsequent analysis by the City Services Auditor concluded that AT&T's Calnet 3 rates were generally competitive with other Calnet 3 providers. The report also noted that Calnet 3 rates represent price ceilings for telecommunications services and the City may negotiate even lower rates for these services. If the proposed ordinance is approved, DT expects to use Calnet 3 rates for most purchases of telecommunications services from AT&T; DT negotiated a rate for long-distance calling that was lower than the published Calnet 3 rate for that service.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance retroactively authorizes DT to enter into the third amendment to the master contract with AT&T to purchase telecommunications services to (1) extend the term of

the master contract by five years from January 1, 2016 through December 31, 2020;[1] and (2) increase the master contract not-to-exceed amount by $23,810,612 from $97,953,700 to $121,764,312. The proposed ordinance also allows certain non-profit agencies in the City to purchase telecommunications services directly from AT&T at the preferred pricing available to the City.

The proposed third amendment to the master contract between DT and AT&T:

- Extends the term of the master contract by four years from January 1, 2016 to December 31, 2019 with an optional one-year extension to December 31, 2020; and
- Increases the not-to-exceed amount of the master contract by $23,810,612 from $97,953,700 to $121,764,312.

FISCAL IMPACT

According to the budget submitted by DT, the total master contract not-to-exceed amount under the proposed third amendment will increase for the initial four years, not including the one-year option to extend, by $24,475,857, from $97,953,700 to $122,429,557, as shown in Table 1 below. The master contract not-to-exceed amount of $122,429,557 is $665,245 more than the amount of $121,764,312 in the proposed ordinance. Therefore, the proposed ordinance should be amended to increase the master contract not-to-exceed amount by $665,245, from $121,764,312 to $122,429,557. Because the amended master contract not-to-exceed amount of $122,429,557 is more than the $121,764,312 in the publicly-noticed ordinance, the ordinance, as amended, should be continued for one week.

Table 1: Increase in the Master Contract's Not-to-Exceed Amount from January 1, 2016 to December 31, 2019

Department	Existing Master Contract Not-to- Exceed Amount	Reallocation of Remaining Spending Authority	Needed Additional Contract Amount	Total Master Contract Not-to-Exceed Amount
Department of Technology	$64,391,821	$2,562,131	$22,441,741	$89,395,693
Airport	21,206,149	(2,562,131)	292,200	18,936,218
Public Health	10,457,002	0	147,499	10,604,501
Public Library	420,974	0	378,739	799,713
Police	1,388,535	0	835,678	2,224,213
Children, Youth and Their Families	27,051	0	30,000	57,051
Emergency Management	50,000	0	350,000	400,000
Public Utilities Commission	12,168	0	0	12,168
Total	**$97,953,700**	**$0**	**$24,475,857**	**$122,429,557**

Source: Department of Technology

[1] The proposed ordinance approves the third amendment to the master contract for five years, including the initial four year extension from January 1, 2016 through December 31, 2019, and the one-year option from January 1, 2020 through December 31, 2020.

RECOMMENDATIONS

1. Amend the proposed ordinance to increase the master contract not-to-exceed amount by $665,245 from $121,764,312 to $122,429,557.
2. Continue the proposed ordinance, as amended, to the February 3, 2016 Budget and Finance Committee meeting.

Item 4 File 15-1167	Department: Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the third amendment to the contract between the Department of Public Health (DPH) and Bay Area Addiction, Research & Treatment, Incorporated (known as BAART) to continue to provide methadone maintenance and support services for DPH clients.

Key Points

- DPH entered into the original contract with BAART, a non-profit organization, following a competitive Request for Proposal process in 2010 to provide methadone maintenance and support services to DPH clients.
- The contract has previously been amended two times. The current contract expired on June 20, 2015, and DPH requests to enter into a third amendment to retroactively exercise the three one-year options to extend the contract from July 1, 2015 through June 30, 2018.

Fiscal Impact

- The proposed resolution would increase the contract amount from $26,043,065 to $52,724,278, an increase of $26,681,213. However, according to data provided by DPH, the actual budget for the remaining contract years is $26,020,066, or $661,147 less than the amount in the resolution. Additionally, DPH has spent $25,339,242 through June 30, 2015, leaving a remaining authorized contract balance of $703,823. Therefore, the Budget and Legislative Analyst recommends amending the proposed resolution to reduce the contract not-to-exceed amount by $1,364,970, from $52,724,278 to $51,359,308.

Recommendations

- Amend the proposed resolution to be retroactive to July 1, 2015.
- Amend the proposed resolution to reduce the requested not-to-exceed amount by $1,364,970 to $51,359,308.
- Approve the proposed resolution, as amended.

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 Department of Public Health (DPH) entered into a contract with Bay Area Addiction, Research & Treatment, Incorporated (known as BAART), a non-profit organization, based on a competitive Request for Proposals (RFP) in July 2010. Under the contract, BAART provides methadone maintenance and support services to DPH clients. DPH reimburses BAART for these services based on BAART's costs of providing the services.

The original contract was for the 18 month period from July 1, 2010 through December 31, 2011, for a not-to-exceed amount of $8,202,621. In 2011, DPH entered into the first amendment to the contract, extending the term of the contract by 3 years and 6 months from January 1, 2012 through June 30, 2015, and increased the not-to-exceed amount to $9,990,000. Because the amended not-to-exceed amount was under $10,000,000, approval by the Board of Supervisors was not required.

In 2012, DPH entered into the second amendment to the contract which increased the not-to-exceed amount to $26,043,065 and provided for three one-year options to extend the contract from July 1, 2015 to June 30, 2018. The contract expired on June 30, 2015 and DPH now seeks to exercise the three options to extend the contract retroactively from July 1, 2015 through December 31, 2018. Table 1 below shows the amount expended as compared to the budget for each fiscal year through FY 2014-15.

Table 1: BAART Contract Expenditures through FY 2014-15

Year	Expenditure Amount	Authorized Budget	Amount Expended Under (Over) Budget
FY 2010-11	$4,440,047	$4,860,345	$420,298
FY 2011-12	4,539,850	4,858,422	318,572
FY 2012-13	4,479,422	4,858,422	379,000
FY 2013-14	4,925,619	4,858,422	(67,197)
FY 2014-15	6,954,304	4,858,422	(2,095,882)
Subtotal	$25,339,242	$24,294,033	($1,045,209)
Contingency	-	$1,749,032	$1,749,032
Total	**$25,339,242**	**$26,043,065**	**$703,823**

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the third amendment to the contract with BAART to continue to provide methadone maintenance and support services for DPH clients. The amendment would exercise the three contract options to extend the contract for an additional three years retroactive from July 1, 2015 through June 30, 2018, and increase the contract not-to-exceed amount from $26,043,065 to $52,724,278, an increase of $26,681,213.

Because the contract expired on June 30, 2015, the proposed resolution should be amended for retroactivity to July 1, 2015. Ms. Michelle Ruggels, Director of the Business Office at DPH, states that the proposed resolution was not submitted to the Board of Supervisors prior to the contract's expiration in June 2015 due to an oversight.

FISCAL IMPACT

Table 2 below shows sources of funds, totaling $26,020,066 for the requested increase to the BAART contract from July 1, 2015 through June 30, 2018.

Table 2: Sources of Funds for Requested Increase to BAART Contract

Sources of Funds	FY 2015-16	FY 2016-17	FY 2017-18	Total
California State Funds				
Perinatal Medi-Cal	$28,304	$28,304	$28,304	$84,912
Drug Medi-Cal	3,231,259	3,606,259	3,606,259	10,443,777
State Match/ 2011 Realignment	3,259,563	3,634,563	3,634,563	10,528,689
2011 Realignment - Non-Drug Medi-Cal	123,765	123,765	123,765	371,295
California State Funds Subtotal	*$6,642,891*	$7,392,891	$7,392,891	21,428,673
San Francisco General Fund	*$485,271*	$659,129	$659,129	$1,803,529
Subtotal	**$7,128,162**	**$8,052,020**	**$8,052,020**	**$23,232,202**
Contingency (12%)				**$2,787,864**
Total [a]				**$26,020,066**

[a] The budget of $26,020,066 for the third amendment to the contract is $661,147 less than the requested increase in the contract not-to-exceed amount of $26,681,213.

The proposed resolution would increase the contract amount from $26,043,065 to $52,724,278, an increase of $26,681,213. However, according to data provided by DPH, the actual budget for the remaining contract years is $26,020,066, or $661,147 less than the increase in the resolution. Additionally, as shown in Table 1 above, DPH has spent $25,339,242 through June 30, 2015, leaving a remaining authorized contract balance of $703,823. Therefore, the Budget and Legislative Analyst recommends reducing the proposed resolution by $1,364,970[1] for a new total not-to-exceed amount of $51,359,308, as shown in Table 3 below.

[1] $1,364,970 equals $661,147 plus $703,823

Table 3: Budget and Legislative Analyst Recommended Reduction

Actual Expenditures through June 30, 2015	$25,339,242
FY 2015-16 Requested Amount	$7,128,162
FY 2016-17 Requested Amount	8,052,020
FY 2017-18 Requested Amount	8,052,020
12% Contingency	2,787,864
Subtotal Requested Funds	*$26,020,066*
Total Actual Expenditures and Requested Funds	$51,359,308
Proposed Resolution	$52,724,278
Recommended Reduction	**($1,364,970)**

RECOMMENDATIONS

1. Amend the proposed resolution to be retroactive to July 1, 2015.
2. Amend the proposed resolution to reduce the requested not-to-exceed amount by $1,364,970 to $51,359,308.
3. Approve the proposed resolution, as amended.

Items 7 and 8 **Files 15-1226 and 16-0021**	**Departments:** San Francisco Public Utilities Commission (SFPUC) General Services Agency (GSA) Office of Contract Administration (OCA) Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objectives

- File 15-1226: Ordinance (a) authorizing the Director of Property to execute a Project Delivery Agreement with Oryx, LLC (developer) to design and construct improvements to City-owned properties at 555 Selby Street and 1975 Galvez Avenue and City-leased property at 450 Toland Street for new Central Shops at a total estimated cost of $55,000,000 from San Francisco Public Utilities Commission (SFPUC) Wastewater Enterprise funds; (b) exempting the project from Administrative Code Chapter 6 contracting requirements and approving the selection of Oryx LLC as Developer and Developer's selection of FM&E Architecture & Design to serve as Project Architect and Charles Pankow Builders, Ltd, to serve as General Contractor, without competitive bidding; (c) authorizing the jurisdictional transfer of 1800 Jerrold Street from the General Services Agency's (GSA) Office of Contract Administration (OCA) to the SFPUC and authorizing the jurisdictional transfer of 555 Selby Street, 1975 Galvez Avenue and 450 Toland Street from the SFPUC to OCA, subject to the Memorandum of Understanding (MOU); and (d) finding that the proposed transactions are in conformance with the City's General Plan and the eight priority policies of Planning Code, Section 101.1.
- File 16-0021: Ordinance appropriating $62,200,000 as a transfer from the SFPUC's Wastewater Enterprise Funds to the City Administrator for pre-development costs for the Central Shops Relocation Project in FY 2015-16.

Key Points

- Central Shops is currently located at 1800 Jerrold Avenue. The SFPUC plans to occupy 1800 Jerrold Avenue, which is adjacent to the Southeast Water Pollution Control Plant (Plant), as part of the SFPUC's Sewer System Improvement Program (SSIP). The Board of Supervisors recently approved leasing property at 450 Toland Street and purchasing properties at 555 Selby Street and 1975 Galvez Avenue for the relocation of Central Shops.
- The proposed Project Delivery Agreement is not in final form; the final form of the Agreement will be submitted to the Board of Supervisors by Monday, January 25, 2016.

Fiscal Impact

- The ordinance (File 15-1226) estimates Phase I, Design of the Project Delivery Agreement to cost $8,430,000. The City is now estimating Phase I will cost $10,263,517, including development management fees of up to $1,239,000.
- The acquisition, capitalized 10-year lease expenses, and construction cost to replace the existing Central Shops facilities are estimated to total $73,700,000.
- The proposed supplemental appropriation (File 16-0021) would transfer $62,200,000 from the SFPUC's Wastewater Enterprise Funds to the City Administrator for pre-development costs for the Central Shops Relocation Project, which is $11,500,000 less than the total $73,700,000 cost to reflect that SFPUC previously funded the acquisition of the properties at 555 Selby Street and 1975 Galvez Avenue.

Policy Consideration

- City departments must conduct a competitive process in accordance with City Code. However, the proposed ordinance (15-1226) would waive the City's competitive bidding requirements and approve the selection of the developer, architect and general contractor on a sole source selection basis in order to expedite the proposed project. The City's requirements for competitive bidding promote larger public policy objectives of providing an open process to obtain the most competitive price for the City.

Recommendations

- Amend the proposed ordinance (File 15-1226) to (a) clarify that the Board of Supervisors is only approving Phase I Design of the Project Delivery Agreement, and (b) reflect that the Phase I costs are no longer estimated to be $8,430,000 but rather are currently estimated to be $10,263,517, or not to exceed $10,300,000.
- The Real Estate Division will be submitting further amendments to File 15-1226 to exempt this project from the Chapter 29 requirements regarding fiscal feasibility in accordance with Section 29.1(c)(4).
- Approval of the proposed ordinance (File 15-1226), which would authorize sole source contracts and waive competitive bidding as required by the City's Administrative Code on the proposed Central Shops relocation project, is a policy decision for the Board of Supervisors.
- Amend the proposed supplemental appropriation ordinance (File 16-0021) to place $45,000,000 of the total requested $62,200,000 on Budget and Finance Committee reserve. Given that the Budget and Legislative Analyst considers File 15-1226 to be a policy matter, the companion ordinance (File 16-0021) is also considered to be a policy decision for the Board of Supervisors. The OCA and Real Estate should request the release of the remaining $45,000,000 at the same time when they request approval of Phase II of the Project Delivery Agreement by the Board of Supervisors.

MANDATE STATEMENT

City Administrative Code Chapter 6 specifies the City's public works contracting policies and procedures, with Section 6.61 addressing the award of Design-Build contracts.[1] In accordance with Sections 6.61(b) and (c), prior to selecting and awarding Design-Build contracts, City departments must conduct a competitive process. Such a competitive process may include a pre-qualification process through either an invitation for bids or a request for qualifications or a combined request for qualifications and request for proposals, with selection based on a ranking process.

City Administrative Code Chapter 23, Article II establishes the policies and procedures for the jurisdictional transfers of City property from one department to another. These procedures include that the Director of Property shall prepare a report regarding the estimated fair market value of the property to be transferred and that the Board of Supervisors approve such jurisdictional transfers of City properties.

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

BACKGROUND

The City's Central Fleet Maintenance Shop (Central Shops) is currently located on a City-owned 5.3-acre site at 1800 Jerrold Avenue[2] under the jurisdiction of the City's General Services Agency (GSA). Central Shops provides repair services to the City's non-revenue vehicle fleet. Located immediately adjacent to 1800 Jerrold Avenue is the San Francisco Public Utilities Commission (SFPUC) Southeast Water Pollution Control Plant (Plant). As part of the SFPUC's Sewer System Improvement Program (SSIP), the SFPUC plans to occupy the 1800 Jerrold Avenue site in order to rehabilitate the adjacent Plant and/or as a potential location for the Biosolid Digesters Facilities Project[3].

The GSA plans to relocate Central Shops from 1800 Jerrold Avenue to two sites near its current location. The two sites are: (1) 1975 Galvez Avenue and 555 Selby Street, two adjacent parcels which would be purchased and merged into one site for Central Shops heavy duty fleet repair operations, such as fire trucks, dump trucks and street sweepers, and include administrative offices and support functions; and (2) 450 Toland Street, which would be leased for the Central Shops light duty fleet repair operations, such as light duty trucks, body and paint shop and

[1] Design-Build is defined as an approach to the procurement of design and construction services, whereby a single entity is retained to provide both professional design services and general contractor services.

[2] The City's Department of Technology (DT) Public Safety Division is also located at 1800 Jerrold Avenue, which is responsible for radio repair/installation in public safety vehicles and repair/installation of the City's fiber infrastructure. Real Estate is currently negotiating a new lease for DT's Public Safety Division to relocate from the City-owned 1800 Jerrold Avenue to a private facility, which will be subject to Board of Supervisors approval later this year.

[3] The SFPUC is currently undergoing environmental review for the Biosolids Digester Facilities Project. Biosolid digesters break down solid waste as part of the sewage treatment process.

related employee support functions. On December 15, 2015, the Board of Supervisors approved (File 15-1215; Resolution No. 525-15) authorizing:

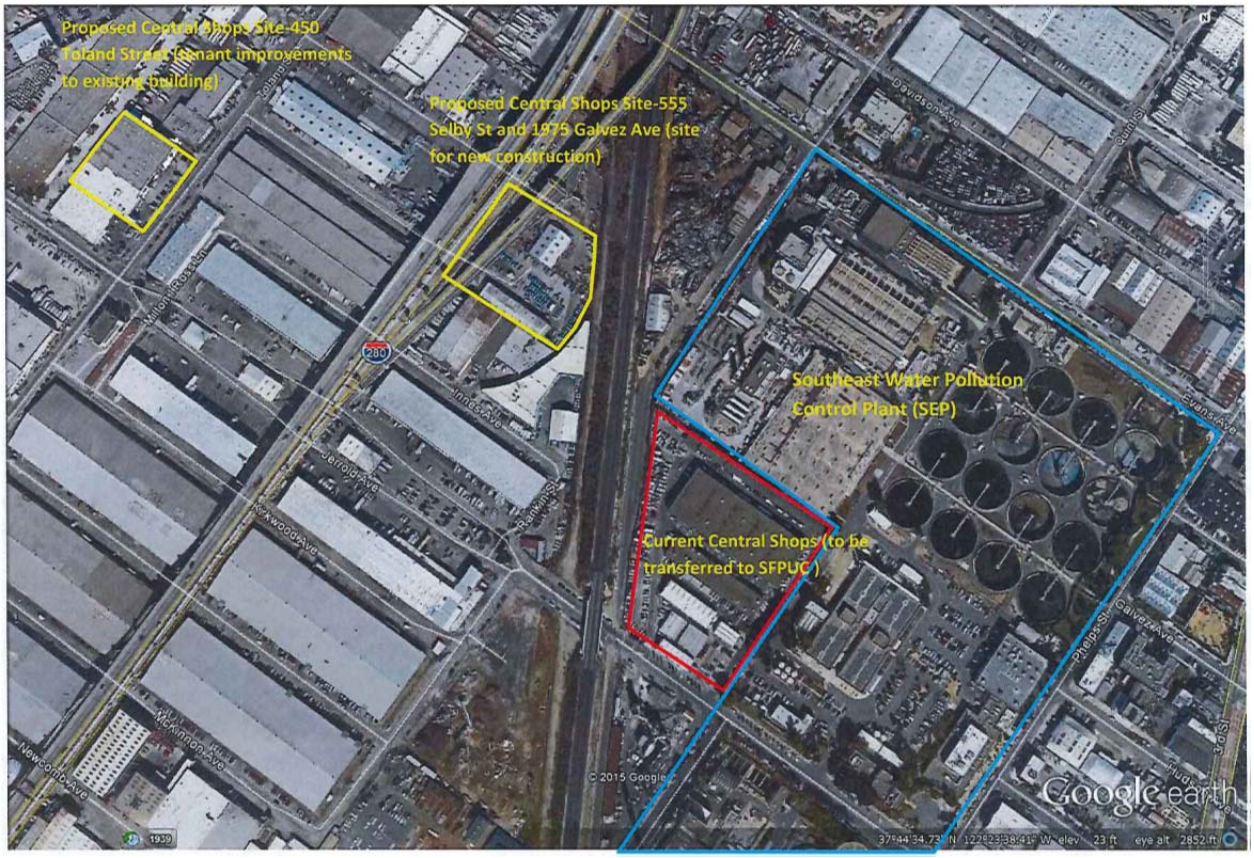
(1) a new lease between the City (as tenant) and Four Fifty Toland, LLC (as landlord) for 450 Toland Street for a term of ten years, with two five-year options to extend, for an initial cost of $735,600 per year with three percent annual increases;

(2) a purchase and sale agreement between the City (as buyer) and Selby and Hudson Corporation (as seller) for 555 Selby Street for $6,300,000; and

(3) a purchase and sale agreement between the City (as buyer) and W.Y.L. Five Star Service Industries, Inc. (as seller) for 1975 Galvez Avenue for $5,000,000.

Figure 1 below shows the current and proposed locations for Central Shops.

Figure 1: Current and Proposed Locations for Central Shops



Source: City Staff

DETAILS OF PROPOSED LEGISLATION

- The proposed ordinance (File 15-1226) would approve and authorize the following:
  1. The Director of Property to execute a Project Delivery Agreement[4] with Oryx, LLC (developer) for the design and construction of proposed improvements to City-owned properties at 555 Selby Street and 1975 Galvez Avenue and tenant improvements to City-leased property at 450 Toland Street, for a new relocated City Central Fleet Maintenance Shop (Central Shops) at a total estimated cost of $55,000,000 from SFPUC Wastewater Enterprise funds;
  2. Exempt the project from certain contracting requirements in Administrative Code Chapter 6 by waiving Sections 6.61(b) and 6.61(c)(1)-(4) and approving the selection of Oryx LLC as Developer and Developer's selection of FM&E Architecture & Design as subcontractor to serve as Project Architect and Charles Pankow Builders, Ltd, as subcontractor to serve as General Contractor, without competitive bidding;
  3. Authorize the jurisdictional transfer of 1800 Jerrold Street from the General Services Agency's (GSA) Office of Contract Administration (OCA)[5] to the SFPUC Wastewater Enterprise and authorize the jurisdictional transfer of 555 Selby Street and 1975 Galvez Avenue and the leasehold of 450 Toland Street from the SFPUC to OCA, subject to the terms and conditions of the Memorandum of Understanding (MOU) entered into between the RED, OCA and SFPUC; and
  4. Find that the proposed transactions are in conformance with the City's General Plan and the eight priority policies of Planning Code, Section 101.1.[6]
  5. Find that the Proposed Project is fiscally feasible consistent with Administrative Code Chapter 29.
- The proposed ordinance (File 16-0021) would appropriate $62,200,000 as a transfer from the SFPUC's Wastewater Enterprise Funds to the City Administrator for pre-development costs for the Central Shops Relocation Project in FY 2015-16. This ordinance would also

[4] The Project Delivery Agreement includes a General Conditions document as an attachment, which specifies the City code requirements, obligations, arbitration, change order and contingency provisions, etc.
[5] OCA currently holds jurisdiction to 1800 Jerrold Street property and Central Shops is under OCA.
[6] The Eight Priorities of City Planning Code Section 101.1 include: (1) existing neighborhood-serving retail uses be preserved and enhanced, and future opportunities for resident employment in and ownership of such businesses enhanced; (2) existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods; (3) the City's supply of affordable housing be preserved and enhanced; (4) commuter traffic not impede Muni transit service or overburden our streets or neighborhood parking; (5) a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced; (6) the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake; (7) landmarks and historic buildings be preserved; and (8) parks and open space and their access to sunlight and vistas be protected from development.

place the $62,200,000 on Controller's Reserve pending transfer of the funds from the Wastewater Enterprise Funds including proceeds of indebtedness[7].

Current Plan and Timeframe

Currently, Central Shops occupies 80,577 square feet of improvements on 263,102 square feet of land at 1800 Jerrold Avenue. Central Shops will occupy 98,000 square feet of improvements on 167,347 square feet of land at the combined 555 Selby Street, 1975 Galvez Avenue, and 450 Toland Street locations, a reduction of 95,755 square feet of land (a 36% reduction), and an increase of 17,423 square feet of improvements (a 22% increase). According to Mr. Updike, the SFPUC needs to occupy 1800 Jerrold Avenue by June 30, 2017 in order to meet the SSIP project timeline. The current estimated timeframe to relocate the Central Shops, including designing and constructing the new Central Shop facilities is approximately 18 months, or June 2017.

Waiver of City's Competitive Bidding Requirements

The proposed ordinance (15-1226) would waive the competitive bidding requirements in the City's Administrative Code and approve the selection of Oryx LLC as Developer and the Developer's selection of FM&E Architecture & Design as Project Architect and Charles Pankow Builders, Ltd, as General Contractor. The ordinance states that due to time constraints coupled with "the current extraordinarily competitive real estate market for industrial land", the "Director of Property informally approached entities capable of executing the Proposed Project and identified one team reasonably available and deemed capable of carrying the Proposed Project within the time frame required and within the budget developed".

Mr. John Updike, Director of Real Estate advises that to complete the City's competitive bidding processes can take approximately a year, whereas sole source selection requires six months, a reduction of approximately six months. Given that the City was not certain of acquisition and leasing sites to relocate Central Shops until late fall of 2015, and the SSIP's project timeline completion of June of 2017, Mr. Updike advises that sole source selection was necessary to secure the proposed project team of developer, architect and general contractor expeditiously.

Mr. Updike advises that the proposed team was selected because given the current economic climate and number of ongoing projects in the City, six or seven other firms capable of executing this project were not currently available. Both Oryx and FM&E Architecture & Design have completed several private development and architecture projects respectively, but neither has previously contracted with the City. Charles Pankow Builders recent projects include the City's Public Safety Building and the War Memorial Veterans Building.

Mr. Dan McKenna of Central Shops reports that a private architecture, engineering and construction management firm, Gannett-Fleming, was hired by OCA at a cost of $400,000 to peer review the proposed project, including validating the 2013 Fleet Management Space Needs Assessment Report, reviewing the Program Plan prepared by DPW, the project design

[7] The source of funding for this ordinance is through the SFPUC's SSIP program, which is funded with Wastewater Enterprise revenue bonds and repaid with by wastewater ratepayers. The SFPUC anticipates issuing an additional $500 million of Wastewater Enterprise revenue bonds on approximately April 15, 2016.

and construction plans to be prepared by the development team and to provide consulting services during the construction phase regarding change orders, schedules and budget.

Project Delivery Agreement

The City is currently negotiating a final Project Delivery Agreement for the Central Shops Replacement Facilities Project on a sole source basis with Oryx, LLC to complete the development, design, management and construction of the proposed project, including entering into and overseeing all contracts for GSA's heavy equipment repair facility at 555 Selby Street and 1975 Galvez Avenue, and GSA's lighter equipment repair facility at 450 Toland Street. As specified in the draft Project Delivery Agreement, all other contracts required for the completion of the project will be entered into by Oryx, without subsequent approvals. Mr. Updike advises that, except for the developer, architect and general contractor agreements, limited use of design-assist subcontractors and limited performance of concrete work and rough carpentry by the general contractor, all subcontracts will comply with the Chapter 6 competitive bidding provisions of the Administrative Code.

However, as of the writing of this report, the proposed Project Delivery Agreement is not in final form. Therefore, the Budget and Legislative Analyst's report is based on the draft Project Delivery Agreement. Mr. Updike advises that the final form of the Agreement will be submitted to the Board of Supervisors by Monday, January 25, 2016.

Under the Project Delivery Agreement, the Project would be completed in two phases:

(1) Design Phase, and

(2) Construction Phase.

The Board of Supervisors is currently being requested to approve Phase I, the Design Phase of the Project Delivery Agreement, as summarized in Table 1 below:

Table 1: Summary of Phase I of the Project Delivery Agreement

- Complete project design, including demolition, permitting, site grading and piles;
- Select and retain licensed architect to design the project;
- Select and retain licensed general contractor to construct the project;
- Provide City with all analyses, surveys, designs, engineering, permits, warranties, etc.;
- Comply with Local Hire, First Source and Local Business Enterprise Program Requirements;
- Design project within project budget of $55 million to be completed by June 29, 2017;
- Procure trade subcontractors on competitive basis, with award to lowest responsive bid;
- Developer may procure design, preconstruction or design-assist subcontractor services based on qualifications only, subject to City representative sole discretion, up to 7.5% of total subcontract costs;
- Developer through its General Contractor may self-perform specific trade work;
- Provide Guaranteed Maximum Price and Schedule for completion;
- Conditioned on agreement to proceed with Phase II (construction), developer will provide the City with a completed project.

The proposed ordinance estimates Phase I to cost $8,430,000. However, based on further due diligence, the City is now estimating Phase I will cost $10,263,517, as shown in Table 2 below, including development management fees of up to $1,239,000 ($846,000 + $393,000).

Table 2: Current Estimated Costs for Phase I, Design

Acquisition due diligence	$25,000
Architect and sub-consultants	2,532,299
Design- build sub-consultants	479,737
Pre-construction services (Pankow)	627,000
Permits and fees	925,475
Legal, insurance, accounting and administration	215,000
Development Management Base Fee	846,000
Development Management Bonus Fee	393,000
Demolition/Site-grading/Piles	3,286,960
Contingency (10%)	933,047
Total	$10,263,517

When the architect completes the construction drawings, the developer will provide a guaranteed maximum price and schedule for completion. If the price and schedule are acceptable, the City may authorize the construction and completion of the project, subject to Board of Supervisors and Mayoral approval. If the price exceeds $55 million, the City will work with the developer to reduce the scope of the project, or seek Mayor and Board of Supervisors approval of supplemental authorization. At that time, the Board of Supervisors would be requested to approve an amendment to this Project Delivery Agreement, to increase the not to exceed amount, dates and requirements for completion.

Given the changes noted above, the proposed ordinance (File 15-1226) should be amended to (a) clarify that the Board of Supervisors is only approving Phase I Design of the Project Delivery Agreement, and (b) reflect that the Phase I costs are no longer estimated to be $8,430,000 but rather are currently estimated to be $10,263,517, or not to exceed $10,300,000.

Jurisdictional Transfer of Properties

The proposed ordinance states that OCA consents to a jurisdictional transfer of 1800 Jerrold Avenue to the SFPUC, provided that OCA receives compensation sufficient to enable occupancy of functionally equivalent facilities and for necessary incurred relocation expenses. Approval of an MOU among the SFPUC, OCA and Real Estate provides that the SFPUC commits $73,700,000 of Wastewater Enterprise funds to the Central Shops Relocation Project to pay for the purchase of 555 Selby Street and 1975 Galvez Avenue, 10-year lease payments for 450 Toland Street, and design and construction costs of the Central Shops facilities. The MOU specifies the following jurisdictional transfers:

- 1800 Jerrold Avenue site from OCA to the SFPUC; and
- 555 Selby Street, 1975 Galvez Avenue and 450 Toland Street sites from SFPUC to OCA.

The MOU also provides that, given that SFPUC ratepayers are paying the cost to purchase sites and relocate Central Shops, if Central Shops fails to occupy, vacates or ceases to use the two acquired properties for Central Shop functions before the useful life of the facilities expire in 30

years, then the SFPUC ratepayers will be reimbursed an amount equal to the unamortized value of the acquisition and improvement costs. The leased property at 450 Toland Street is not included in this provision because if Central Shops ceases to function there, the lease could be terminated.

CEQA and Planning Code Provisions

On October 28, 2015, the Planning Department found that the proposed relocation of Central Shops from 1800 Jerrold Avenue to 555 Selby Street, 1975 Galvez Avenue, and 450 Toland Street was categorically exempt from the California Environmental Quality Act (CEQA). On November 5, 2015, the Planning Department found that the proposed project is in conformity with the City's General Plan and Planning Code Section 101.1.

Administrative Code Chapter 29

Mr. Updike requests that an amendment to the proposed ordinance be approved to invoke the exception to Chapter 29 of the Administrative Code regarding fiscal feasibility permitted in Section 29.1(c)(4) which states that Chapter 29 will not apply to any project that is a utility capital improvement project under the jurisdiction of the San Francisco Public Utilities Commission (SFPUC). According to Mr. Updike, the proposed relocation of Central Shops would not be necessary if the SFPUC utility project did not require the site at 1800 Jerrold Street and the SFPUC is the sole funding source for these projects. Therefore, Mr. Updike will be submitting an amendment at the Budget and Finance Committee meeting on January 27, 2016 to state that the project qualifies under the exemption in Section 29.1(c)(4).

FISCAL IMPACT

The proposed ordinance states that the Director of Real Estate determined that the current fair market value of 1800 Jerrold Avenue is less than the expense required to relocate Central Shops to functionally equivalent facilities, including property acquisition costs, rent, development, design and construction of improvements. Mr. Updike notes that an appraisal, conducted by David Tattersall, determined the fair market value of the 1800 Jerrold Avenue property to be $12,750,000.

Cost of Functional Replacement

According to Mr. Updike, SFPUC will pay OCA the "functional replacement costs" to relocate Central Shops from 1800 Jerrold Avenue to the three new locations. Functional replacement involves an administrative settlement payment to mitigate OCA's costs to relocate Central Shops to the three new locations, including the costs of constructing improvements. The acquisition, capitalized 10-year lease expenses, and construction costs to functionally replace the existing Central Shops facilities at the Selby/Galvez and Toland sites are estimated to total $73,700,000, as summarized in Table 2 below.

Table 2: Total SFPUC Costs

Acquisition of 555 Selby Street	$6,500,000
Acquisition of 1975 Galvez Avenue	5,000,000
Subtotal Acquisitions	$11,500,000
10-Year Lease of 450 Toland Street	6,900,000
Construction of new Central Shops	55,000,000
Moving Expenses	300,000
Total	$73,700,000

Previous and Proposed Appropriation of Funds

Mr. Carlos Jacobo Budget Director for the SFPUC advises that to date $69,552,948 of Wastewater Enterprise Sewer System Improvement Program funds have been appropriated for this project, pending the sale of Wastewater revenue bonds. The balance of $4,147,052 to total $73,700,000 will be appropriated in the FY2016-17 budget, subject to appropriation approval by the Board of Supervisors.

The proposed supplemental appropriation (File 16-0021) would transfer $62,200,000 from the SFPUC's Wastewater Enterprise Funds to the City Administrator for pre-development costs for the Central Shops Relocation Project in FY 2015-16. The requested $62,200,000 is $11,500,000 less than the total $73,700,000 cost shown in Table 2 above, to reflect that the SFPUC funds were used directly to acquire the two properties at 555 Selby Street and 1975 Galvez Avenue.

Given that the proposed ordinance (File 15-1226) is (a) requesting the Board of Supervisors to approve Phase I of the Project Delivery Agreement at an estimated cost not to exceed $10,300,000, and (b) lease payments for ten years at the 450 Toland Street site totaling $6,900,000 were previously approved by the Board of Supervisors, for a total of $17,200,000, amend the proposed supplemental appropriation ordinance (File 16-0021) to place $45,000,000 of the total requested $62,200,000 on Budget and Finance Committee reserve. The OCA and Real Estate can request the release of the remaining $45,000,000 at the same time when they request approval of Phase II of the Project Delivery Agreement by the Board of Supervisors.

POLICY CONSIDERATION

In accordance with Chapter 6 of the City's Administrative Code, prior to selecting and awarding contracts, City departments must conduct a competitive process. However, the proposed ordinance (15-1226) would waive the competitive bidding requirements in the City's Administrative Code and approve the selection of Oryx LLC as the developer and the developer's selection of FM&E Architecture & Design as the architect and Charles Pankow Builders, Ltd, as the general contractor. While recognizing that using a sole source selection of the developer, architect and general contractor will expedite the proposed project, the City's requirements for competitive bidding promote larger public policy objectives of providing an open process to obtain the most competitive price for the City.

RECOMMENDATIONS

1. Amend the proposed ordinance (File 15-1226) to (a) clarify that the Board of Supervisors is only approving Phase I Design of the Project Delivery Agreement, and (b) reflect that the Phase I costs are no longer estimated to be $8,430,000 but rather are currently estimated to be $10,263,517, or not to exceed $10,300,000.
2. The Real Estate Division will be submitting further amendments to File 15-1226 to exempt this project from the Chapter 29 requirements regarding fiscal feasibility in accordance with Section 29.1(c)(4).
3. Approval of the proposed ordinance (File 15-1226), which would authorize sole source contracts and waive competitive bidding as required by the City's Administrative Code on the proposed Central Shops relocation project, is a policy decision for the Board of Supervisors.
4. Amend the proposed supplemental appropriation ordinance (File 16-0021) to place $45,000,000 of the total requested $62,200,000 on Budget and Finance Committee reserve. Given that the Budget and Legislative Analyst considers File 15-1226 to be a policy matter, this companion ordinance (File 16-0021) is also considered to be a policy decision for the Board of Supervisors. The OCA and Real Estate should request the release of the remaining $45,000,000 at the same time when they request approval of Phase II of the Project Delivery Agreement by the Board of Supervisors.

Item 9 File 15-1216	Department: General Services Agency - Department of Public Works (DPW)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve an amendment to the existing agreement between Public Works and Hellmuth, Obata & Kassabaum, Inc. (HOK) for architectural and engineering design and other related consulting services for the San Francisco Police Department's (SFPD) new Traffic Company and Forensic Services Division Facility to be located at 1995 Evans Street.
- The amendment increases the not-to-exceed agreement amount by $10,868,353, from $993,952 to a total not-to-exceed amount of $11,862,305.

Key Points

- The City intends to construct a new 110,000-square-foot facility at 1995 Evans Street, which would relocate the (SFPD Traffic Company and Forensic Services Division from the Hall of Justice to 1995 Evans Street.
- Based on the results of a competitive Request for Qualifications process, DPW selected HOK to provide design services for the proposed facility.
- On September 15, 2015, Public Works awarded an agreement to HOK in the amount of $993,952 to provide program validation and conceptual design phase services.
- DPW is seeking authorization to amend the agreement with HOK to complete schematic design, design development, construction documents, bidding/negotiation, construction administration, and warranty phase services for the proposed facility.

Fiscal Impact

- The total project budget for the new SFPD Traffic Company and Forensic Services Division Facility is $165,000,000.
- The $11,862,305 agreement between the City and HOK constitutes 7.2 percent of the total budget.
- The project is funded by the $400 million Earthquake Safety and Emergency Response Bonds approved by San Francisco voters in June 2014.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that agreements entered into by a department, board, or commission having a term of (a) more than 10 years; (b) anticipated expenditures of $10 million or more; or (c) modifications to these agreements of more than $500,000, require Board of Supervisors approval.

BACKGROUND

The City intends to construct a new 110,000-square-foot facility at 1995 Evans Street, which would relocate the San Francisco Police Department's (SFPD) Traffic Company and Forensic Services Division from the Hall of Justice at 850 Bryant Street to 1995 Evans Street. The new Traffic Company and Forensic Services Division Facility will include forensic laboratories, laboratory support and office space, and storage and offices for the fleet of motorcycle police officers who provide traffic enforcement.

Construction of the new Traffic Company and Forensic Services Division Facility is part of Public Work's Justice Facilities Improvement Program to replace the Hall of Justice due to seismic deficiencies and obsolete building systems.

Public Works issued a competitive Request for Qualifications (RFQ) on August 8, 2014, for an architectural and engineering team to provide design and other related consulting services to the Traffic Company and Forensic Services Division Facility project. Based on the results of the RFQ process, DPW selected Hellmuth, Obata & Kassabaum, Inc. (HOK) to provide design services for the proposed facility.

On September 15, 2015, Public Works awarded an agreement to HOK in the amount of $993,952 to provide program validation and conceptual design phase services.

Public Works is seeking authorization to amend the agreement with HOK to complete schematic design, design development, construction documents, bidding/negotiation, construction administration, and warranty phase services for the proposed facility.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve an amendment to the existing agreement between Public Works and HOK for architectural and engineering design and other related consulting services for the SFPD's new Traffic Company and Forensic Services Division Facility to be located at 1995 Evans Street. The amendment increases the not-to-exceed agreement amount by $10,868,353, from $993,952 to a total not-to-exceed amount of $11,862,305, as shown in Table 1 below. The total not-to-exceed amount includes an 11 percent contingency amount of $1,078,391.

FISCAL IMPACT

As shown in Table 1 below, the budget for HOK architectural and engineering design-related services totals $11,862,305.

Table 1: Budget for HOK Design Services for the New SFPD Traffic Company and Forensic Services Division Facility

Services	Amount
Existing Agreement	
Program Verification	$225,006
Conceptual Design	768,946
Existing Agreement Subtotal	*$993,952*
Proposed Amendment	
Schematic Design	$1,790,235
Design Development	2,434,466
Construction Documents	2,717,016
Bidding/Negotiation	131,450
Construction Administration	2,641,871
Warranty	74,924
Additional Design Service Subtotal	*$9,789,962*
11 Percent Contingency	1,078,391
Proposed Amendment Subtotal	*$10,868,353*
TOTAL	**$11,862,305**

The SFPD Traffic Company and Forensic Services Division Facility total project budget is $165,000,000. The $11,862,305 agreement between the City and HOK constitutes 7.2 percent of the total budget, as shown in Table 2 below. According to Mr. Charles Higueras, Program Manager at Public Works, the 7.2 percent project budget allocated to architectural and engineering and other supporting design service is consistent with industry standards for this type of project.

The project is funded by the $400 million Earthquake Safety and Emergency Response Bond approved by San Francisco voters in June 2014.

Table 2: Total Budget for Traffic Company and Forensic Services Division Facility

Services	Amount	Percent of Budget
Construction, Purchase, and Installation		
Principal Construction Contract	$100,000,000	60.6%
General Contractor Contingency	1,193,440	0.7
Construction Change Order Contingency	6,903,487	4.2
Art Enrichment	1,972,425	1.2
Hazardous Materials Construction/Abatement	50,000	0.03
Temporary Utilities	450,000	0.3
Construction Subtotal	*$110,569,352*	*67.0%*
Project Control		
Client Department Services	$777,600	0.5%
DPW Project Management	4,410,939	2.7
City Administrative Services	385,000	0.2
Regulatory Agency Approvals	1,460,000	0.9
Architecture/Engineering Design	11,862,305	7.2
Conceptual Planning	844,992	0.5
Additional Architecture/Engineering Services	1,796,835	1.1
Construction Management Services	10,880,981	6.6
Geotechnical, Surveys, and Data Collection	1,541,178	0.9
Reserve	4,640,000	2.8
Project Control Subtotal	*$38,599,830*	*23.4%*
Site Control	*$15,830,818*	*9.6%*
TOTAL	**$165,000,000**	**100%**

POLICY CONSIDERATION

As noted above, Public Works proposes to increase the agreement with HOK for the new SFPD Traffic Company and Forensic Services Division Facility by $10,868,353, from $993,952 to $11,862,353. The scope of services specified in the RFQ included architecture and engineering design services for completion of the project. According to Mr. Higueras, the original agreement with HOK included a limited scope of services for only the initial program verification and conceptual design because it provides for a more certain understanding of the true scope of the project and corresponding construction cost. Public Works is now proposing to amend the agreement to include the full scope of architecture and engineering design services through the completion of the project because it provides for the necessary balance of design service aligned with the defined scope of the project.

RECOMMENDATION

Approve the proposed resolution.