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

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

December 4, 2015

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: December 9, 2015 Budget and Finance Committee Meeting

TABLE OF CONTENTS

TABLE OF CONTENTS (continued)

TABLE OF CONTENTS (continued)

Item 5 **File 15-1188**	**Department:** Department of Public Works (DPW)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would (1) authorize DPW to apply for Active Transportation Program grant funding from the MTC, (2) commit the City to providing required matching funds, and (3) authorize DPW to accept and expend $3,800,000 in grant funds

Key Points

- The Lombard Street Vision Zero Project (Lombard Street Project) is a collaborative effort between several City departments including the Department of Public Works (DPW) and the San Francisco Municipal Transportation Authority (SFMTA), that will provide improvements along Lombard Street /U.S. 101 between Broderick Street and Franklin Street including street safety improvements for pedestrians, transit upgrades, road resurfacing and sidewalk beautification.
- In May 2015, the Department of Public Works (DPW) applied for a $3,800,000 grant from the Metropolitan Transportation Commission (MTC) to partially fund construction of the Lombard Street Vision Zero Project. MTC required an 11.74 percent in matching funds for all applicants.
- In October 2015, MTC awarded DPW $1,854,000 of the $3,800,000 requested. The remaining $1,946,000 will be awarded by MTC to DPW if surplus funds become available. DPW is currently first on MTC's contingency list to receive surplus funds.

Fiscal Impact

- The total estimated project costs for the Lombard Street Vision Zero Project are $17,464,099. The Lombard Street Project budget of $17,464,099 includes total budgeted ATP grant funds of $3,800,000. Therefore, if MTC does not award additional surplus ATP funds of $1,946,000 to DPW, the Lombard Street Project will have a funding gap of $1,946,000.
- The ATP grant requires minimum matching funds of 11.74 percent of the award amount. Based on the current award of $1,854,000, the City's required match is $217,660. However, if DPW is awarded the additional $1,946,000 in surplus funding, the City's required match would be $446,120. DPW plans to provide the 11.74 percent in required match with funds from Proposition K sales tax funds.

Recommendations

- Amend the proposed resolution to retroactively authorize DPW to file an application for funding to the MTC, as the application has already been submitted.
- Approve the proposed resolution, as amended.

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.

BACKGROUND

Lombard Street Vision Zero Project

The Lombard Street Vision Zero Project (Lombard Street Project) is a collaborative effort between several City departments including the Department of Public Works (DPW) and the San Francisco Municipal Transportation Authority (SFMTA), that will provide improvements along Lombard Street /U.S. 101 between Broderick Street and Franklin Street including street safety improvements for pedestrians, transit upgrades, road resurfacing and sidewalk beautification.

The Lombard Street Project is currently in the planning phase. Design is expected to be complete by the end of 2016. Construction is anticipated to begin in January 2017 and end in summer 2018.

Metropolitan Transportation Commission's Active Transportation Program Grant

In March 2015, the Metropolitan Transportation Commission (MTC) announced $30,000,000 in funding available to agencies for Active Transportation Program (ATP) projects in the San Francisco Bay Area region. In May 2015, the Department of Public Works (DPW) applied for a $3,800,000 grant from the MTC to partially fund construction of the Lombard Street Vision Zero Project. MTC required an 11.74 percent in matching funds for all applicants.

In October 2015, MTC awarded DPW $1,854,000 of the $3,800,000 requested. The remaining $1,946,000 will be awarded by MTC to DPW if surplus funds become available. DPW is currently first on MTC's contingency list to receive surplus funds.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) authorize DPW to apply for Active Transportation Program grant funding from the MTC, (2) commit the City to providing required matching funds, and (3) authorize DPW to accept and expend $3,800,000 in grant funds.

DPW applied for the MTC ATP grant in May 2015; therefore the proposed legislation should be amended to retroactively authorize DPW to apply for the grant.

As mentioned above, the current DPW award is only $1,854,000 with the remaining balance of $1,946,000 to be awarded if surplus funds become available. However, the proposed resolution would authorize DPW to accept and expend the full amount of $3,800,000, in the event that the surplus funds are awarded.

As part of the grant, MTC requires the Board of Supervisors to adopt a resolution stating a variety of specific responsibilities, including commitment of matching funds and assurance of completion of the project. Those responsibilities are set forth in the proposed resolution.

FISCAL IMPACT

The total estimated project costs for the Lombard Street Vision Zero Project are $17,464,099, as shown in Table 1 below.

Table 1: Sources and Uses of Funds for the Lombard Street Vision Zero Project

	MTC Active Transportation Program (ATP)	State Transportation Improvement Program (STIP)	Proposition K	Other Local Funds*	**Total**
Planning	-	-	-	$235,440	**$235,440**
Environmental	-	-	-	$28,759	**$28,759**
Design	-	-	$613,586	$954,501	**$1,568,087**
Construction	$3,800,000	$1,910,000	$1,011,813	$8,910,000	**$15,631,813**
Estimated Total Costs	**$3,800,000**	**$1,910,000**	**$1,625,399**	**$10,128,700**	**$17,464,099**

*Other Local Funds include:
$6,400,000- SFPUC Sewer
$3,292,000- SFPUC Water
$350,000- DPW General Funds
$86,700 – SFMTA MUNI Forward and Walk First

Required Matching Funds

The ATP grant requires minimum matching funds of 11.74 percent of the award amount. Based on the current award of $1,854,000, the City's required match is $217,660. However, if DPW is awarded the additional $1,946,000 in surplus funding, the City's required match would be $446,120. DPW plans to provide the 11.74 percent in required match with funds from Proposition K sales tax funds.

Additional Funding Sources Available

The Lombard Street Project budget of $17,464,099 includes total budgeted ATP grant funds of $3,800,000 as shown in Table 1 above. Therefore, if MTC does not award additional surplus ATP funds of $1,946,000 to DPW, the Lombard Street Project will have a funding gap of $1,946,000. According to Ms. Rachel Alonso, DPW Transportation Finance Analyst, SFMTA has committed to providing any remaining necessary funding through proceeds from issuance of Proposition A Transportation and Road Improvement Bonds (2014), and/or Proposition B Adjusting Transportation Funding for Population Growth (2014).

Contingency List Funding Decision

Caltrans is currently reviewing the MTC's list of projects to determine if there are any ineligible components of the projects submitted by other San Francisco Bay Area agencies previously awarded ATP funding, which could potentially make funding available for the Lombard Street

Project. The California Transportation Commission is expected to adopt the MTC's final list of projects including any amended award amounts at its January 21, 2016 meeting.

RECOMMENDATIONS

1. Amend the proposed resolution to retroactively authorize DPW to file an application for funding to the MTC, as the application has already been submitted.

2. Approve the proposed resolution, as amended.

Item 7 File 15-0717	Department: San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a new lease between the San Francisco International Airport (Airport) and the Federal Aviation Administration (FAA) for the FAA to have operational and administrative space in the Replacement Air Traffic Control Tower at the Airport. The lease is for a twenty year term, expiring in 2035. Annual rent for the Air Traffic Control Tower is $1, totaling $20 for the 20-year lease term. In addition to $1 annual rent, the FAA will pay the Airport for services, utilities, and maintenance in an amount of $201,645 in the first year.

Key Points

- Since 1984, the Airport has leased the Tower to the FAA to perform air traffic control and FAA related activities. The annual rent paid by FAA to the Airport is $1. The lease expired on September 30, 2013 and has since been on holdover status; all lease provisions remained in place during the holdover period.
- The Airport began construction of the Replacement Air Traffic Control Tower in 2012, which is scheduled to open in July 2016. The FAA reimbursed the Airport $76,877,500 for the construction of the Replacement Air Traffic Control Tower.

Fiscal Impact

- The FAA will pay the Airport $1 per year in rent for the leased space in the Replacement Air Traffic Control Tower. Rent of $1 per year is in consideration of FAA's reimbursement to the Airport of $76,877,500 for construction of the Tower.
- The total estimated annual payment to be made by FAA to the Airport is $201,646, consisting of $1 in rent and $201,645 in services, utilities, and maintenance costs.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease of real property for a period of ten years or more or that has revenue to the City of $1 million or more is subject to Board of Supervisors approval.

BACKGROUND

The San Francisco International Airport (Airport) owns the Air Traffic Control Tower (Tower) located at Terminal 2 at the Airport. Since 1984, the Airport has leased the Tower to the Federal Aviation Administration (FAA) to perform air traffic control and FAA related activities. The annual rent paid by FAA to the Airport is $1. The lease expired on September 30, 2013 and has since been on holdover status because the Replacement Air Traffic Control Tower had not yet been completed; all lease provisions remained in place during the holdover period.

Studies were conducted in 2005 and 2006 that concluded that the Tower was structurally deficient and that it was impractical and cost prohibitive to upgrade the tower. In 2010, the Airport and the FAA entered into an Other Transaction Agreement, in which the FAA agreed to reimburse the Airport for the costs to construct a Replacement Air Traffic Control Tower, in an amount not-to-exceed $79,982,500[1]. The Other Transaction Agreement was approved by the Board of Supervisors in September 2010 (File 10-1110).

The Replacement Air Traffic Control Tower began construction in 2012 and is scheduled to open in July 2016. The FAA reimbursed the Airport $76,877,500 for the construction of the Replacement Air Traffic Control Tower. The new Tower will be owned by the Airport during the life of the Tower.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new lease between the Airport and the FAA for the FAA to have operational and administrative space in the Replacement Air Traffic Control Tower at the Airport. The lease is for a 20-year term, expiring in 2035. Annual rent for the Air Traffic Control Tower is $1, totaling $20 for the 20-year lease term. In addition to the $1 annual rent, the FAA will pay the Airport for services, utilities, and maintenance in an amount of $201,645. Table 1 below shows the key provisions of the proposed lease between the Airport and the FAA.

[1] The amount of reimbursement was reduced to $76,877,500 pursuant to a supplemental agreement on October 29, 2013 to reflect purchase of certain equipment directly by the FAA.

Table 1: Key Lease Provisions for Lease between Airport and FAA

Permitted Use	Operational and administrative space for FAA.
Term	20 years
Annual Rent	$1
Area	41,960 square feet
Annual services, utilities & maintenance paid by FAA to the Airport[2]	$201,645

The Airport reconciles services, utilities and maintenance costs annually. FAA will pay to the Airport any costs that exceed $201,645 and will be reimbursed by the Airport if costs are less than $201,645.

FISCAL IMPACT

The total estimated payment in the first year of the lease to be made by FAA to the Airport is $201,646, consisting of $1 in rent and $201,645 in services, utilities, and maintenance costs.

The FAA will pay rent, services, utilities and maintenance to the Airport of an estimated $4,032,920 over the 20 year lease term, based on first year payments. Actual rent, services, utilities and maintenance payments by the FAA to the Airport will be more or less than $4,032,920 based on the Airport's annual reconciliation of these costs, as noted above.

RECOMMENDATION

Approve the proposed resolution.

[2] Services, utilities, and maintenance include electricity, water and sewer, trash removal, ground maintenance, carpet replacement, and other such services.

Item 8 **File 15-0874**	**Department:** Office of Labor Standards and Enforcement (OLSE)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance will amend the Administrative Code to require that prevailing wages be paid for commercial broadcast services work on City property.

Key Points

- The Board of Supervisors annually sets prevailing wage rates for employees of businesses with particular types of City contracts.
- Payment of prevailing wages for broadcast services work on City property is not currently included in the Administrative Code.

Fiscal Impact

- The impact on City revenues from event costs associated with the proposed prevailing wage requirement cannot be determined because it is not known whether and to what extent the additional prevailing wage requirements might deter the use of City property for events that involve live broadcast.
- The proposed ordinance expands the enforcement responsibilities of the Office of Labor Standards and Enforcement (OLSE). It is unknown how many new complaints for noncompliance would fall under the jurisdiction of OLSE, nor how much additional penalties would be assessed. Therefore, the potential increased costs and revenues to the City cannot be estimated at this time.

Recommendation

- Approval of the proposed ordinance is a policy decision for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 2.105 states that all legislative acts shall be by ordinance and shall require two readings at separate meetings of the Board of Supervisors.

The City's Administrative Code requires payment of prevailing wages for certain types of work in private employment connected with City property. These requirements are enforced by the City's Office of Labor Standards Enforcement (OLSE).

BACKGROUND

The Board of Supervisors annually sets prevailing wage rates for employees of businesses which have been awarded particular types of City contracts. Table 1 below identifies the (a) specific Administrative Code Sections, (b) the dates each Administrative Code Section was last amended by the Board of Supervisors, and (c) the types of City contracts, leases, and/or operating agreements in which such businesses are required to pay prevailing wages.

Table 1: List of City Contractors Required to Pay Prevailing Wages

Administrative Code	Date of Most Recent Amendment	Type of Contract
Section 6.22 (E)	May 19, 2011	Public works or construction
Section 21C.2	February 2, 2012	Janitorial and window cleaning services
Section 21C.3	February 2, 2012	Public off-street parking lots, garages and vehicle storage facilities
Section 21C.4	February 2, 2012	Theatrical performances
Section 21C.5	February 2, 2012	Solid waste hauling services
Section 21C.6	February 2, 2012	Moving services
Section 21C.8	June 29, 2014	Trade show and special event work

Payment of prevailing wages for broadcast services work on City property is not currently included in the Administrative Code.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance will amend the Administrative Code to add Section 21C.9 to require that prevailing wages be paid for broadcast services work on City property. Broadcast services include the electronic capture and live transmission on-site of video, digital, and/or audio content for commercial purposes through the use of a remote production or satellite truck on-site. The proposed ordinance only applies to for-profit operations and events that are not performed on behalf of a government entity (including set-up and take-down) lasting longer than 25 hours.

Under the proposed ordinance, the following types of activities would be exempt from the prevailing wage requirement:

1. Weddings, except where broadcast services are performed for profit;
2. Film productions, unless the film production involves live transmission of content;
3. Street fairs, block parties, parades, festivals, concerts in a public park, or any other expressive activity that is free and open to the public and does not serve to advertise or promote a commercial product or service;

4. Capture of video and/or audio content solely for personal use;
5. Events sponsored by nonprofits for the purpose of fundraising, except where the event is a collegiate sporting event or a professional sporting event; and
6. Events sponsored by primary or secondary educational institutions.

FISCAL IMPACT

Potential Impact on City Agreements

Under the proposed ordinance, prevailing-wage requirements for commercial broadcast services work will be added to contracts, leases, franchises, permits, or other agreements for use of City property. It is not known at this time whether and to what extent the additional prevailing wage requirements would deter the use of City property for events that involve live broadcast. As a result, the Budget and Legislative Analyst cannot estimate the impact on City revenues from fewer lease events associated with the proposed prevailing wage requirement.

Expanded Scope of Enforcement

The proposed ordinance would expand enforcement responsibility of the OLSE over commercial broadcast services work on City property, with OLSE responsible for investigating complaints and recovering back wages and penalties for violations. According to Ms. Donna Levitt, Manager of OLSE, the prevailing wage requirement will be fairly limited in application due to the exemptions and 25-hour event threshold. Therefore, while the number of newly covered broadcast events is unknown at this time, it is expected to be small.

Since it is unknown how many new complaints for noncompliance would fall under the jurisdiction of OLSE, and how much additional penalties would be assessed, the potential increased costs and revenues to the City cannot be estimated at this time.

RECOMMENDATION

Approval of the proposed ordinance is a policy decision for the Board of Supervisors.

Item 9 **File 15-1168**	**Department:** Public Utilities Commission (SFPUC)

EXECUTIVE SUMMARY

Legislative Objectives

- Resolution authorizing the General Manager of the Public Utilities Commission to execute the first amendment to the Power Scheduling Coordination and Related Support Services agreement with APX, Inc. (Agreement No. CS-344), increasing the not to exceed amount by $100,000,000, for a total not to exceed amount of $105,000,000 and with no change to the five-year agreement duration, to allow for the payment of the California Independent System Operator (CAISO) power transmission charges.

Key Points

- From 1987 through June 30, 2015, the City, through the SFPUC, had an Interconnection Agreement with Pacific Gas and Electric Company (PG&E) to provide transmission, distribution, supplemental energy, reserve capacity and energy banking services.
- On September 23, 2014, based on a competitive process, the SFPUC Commission authorized the General Manager of the SFPUC to execute an agreement for power scheduling coordination, consulting and related support services with APX, Inc. for a term of five years, from June 16, 2015 through June 15, 2020, for a not to exceed $5,000,000.
- Under the previous Interconnection Agreement with PG&E, which expired on June 30, 2015, the SFPUC directly paid PG&E discounted transmission charges, which protected SFPUC from separately paying the CAISO tariffs and charges. The SFPUC can only now pay the CAISO charges through a certified CAISO electric scheduling coordinator. APX, Inc. is a certified scheduling coordinator with CAISO.

Fiscal Impact

- Actual transmission charges for FY 2015-16, based on CAISO's billings for July, August and September total $4,969,988. Based on the approximately $5,000,000 charges incurred for the first three months of FY 2015-16, SFPUC is projected to incur approximately $20,000,000 of transmission charges from CAISO annually, or approximately $100 million of CAISO transmission charges over five years.
- Revenues are collected from electric power users, primarily through work orders in City department's budgets, to offset the increasing costs of electric power.

Recommendations

- Amend the resolution to provide retroactive authority to APX back to June 16, 2015, when the original agreement commenced, to cover APX's previous payments to CAISO.
- 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

Under the San Francisco Public Utilities Commission (SFPUC), the Power Enterprise is responsible for the generation, procurement and delivery of power to electric customers of the City and County of San Francisco (City), including: City departments, related public entities, entities providing service on behalf of or in coordination with tenants on City property (i.e., at the Port and Airport) and the Hunters Point Shipyard and other redevelopment projects. The California Independent System Operator (CAISO)[1] controls and operates the transporting of electric power over California's electric transmission system. From 1987 through June 30, 2015, the City, through the SFPUC, had an Interconnection Agreement with Pacific Gas and Electric Company (PG&E) to provide transmission, distribution, supplemental energy, reserve capacity and energy banking services. In addition, the SFPUC's Power Enterprise requires scheduling coordinator and related support services. From June, 2010 to June of 2015, based on a competitive Request for Proposal (RFP) process, SFPUC had an agreement with APX, Inc. to provide such scheduling coordinator and related support services.

On July 8, 2014, the SFPUC issued a new RFP to retain professional services to provide scheduling coordinator and related consulting support services for electric generation. On September 23, 2014, based on a competitive process, the SFPUC authorized the General Manager of the SFPUC to negotiate and execute a new professional services agreement for power scheduling coordination, consulting and related support services with APX, Inc., the existing scheduling coordinator, for a new term of five years, from June 16, 2015 through June 15, 2020, for a not to exceed $5,000,000. Under this agreement, APX, Inc. provides schedule coordination, submitting interchange schedules, bids, energy trades, managing communications between SFPUC schedulers and operators, handling settlements and other related services 7-days per week, 24-hours per day, to allow the SFPUC to transmit electric power over the transmission system controlled by the CAISO. This APX, Inc. agreement also provides for as-needed consulting services for the SFPUC.

[1] CAISO is a nonprofit public benefit corporation that is regulated by the Federal Energy Regulatory Commission (FERC) to manage the flow of electricity across the high-voltage long-distance power lines that make up 80% of California's and a small part of Nevada's power grid. CAISO is responsible for ensuring that there is sufficient, safe, reliable and equal access to 26,000 circuit miles of power lines and facilitating competitive wholesale power markets to diversify resources and lower prices.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the General Manager of the Public Utilities Commission to execute the first amendment to the Power Scheduling Coordination and Related Support Services agreement with APX, Inc. (Agreement No. CS-344), increasing the not to exceed amount by $100,000,000, from $5,000,000 to a total not to exceed amount of $105,000,000, with no change to the five-year agreement duration, to allow for the payment of the California Independent System Operator (CAISO) power transmission charges. As noted above, the existing term of the APX Inc. agreement is from June 16, 2015 through June 15, 2020, which would remain the same. The proposed first amendment to the agreement with APX would specifically provide for payments of up to $100,000,000 for APX to pay for the tariffs and Pass through Charges to the CAISO. The proposed first amendment would not increase the existing not to exceed $5,000,000 to be paid to APX for their coordinator scheduling and as-needed consulting support services.

The SFPUC is required to follow Federal and State regulations regarding CAISO and specific rules governing the tariffs, pass through charges, separate accounts, etc. Therefore, the APX, Inc. agreement specifies that the SFPUC will pay the required CAISO tariffs[2] by depositing funds into a Clearing Account[3] and require APX to pay the Pass Through Charges[4] to CAISO on behalf of the SFPUC from the established Clearing Account.

On October 13, 2015, the SFPUC Commission approved the proposed first amendment with APX for an additional $100,000,000 to provide for payment of the CAISO power transmission service charges (Resolution No. 15-0207).

FISCAL IMPACT

According to Ms. Lori Mitchell, the SFPUC's Manager of Renewable Energy Generation, the requested $100,000,000 increase in the APX, Inc. agreement is based on an estimated $20,000,000 annual cost to the Power Enterprise for the CAISO tariffs and pass through charges for each of five years. Ms. Mitchell advises that under the previous Interconnection Agreement with PG&E, which expired on June 30, 2015, the Power Enterprise directly paid PG&E discounted transmission charges, which protected SFPUC from separately paying the CAISO tariffs and related pass through charges. However, at the present time, the SFPUC can only pay the CAISO charges through a certified CAISO electric scheduling coordinator. APX, Inc. is a certified scheduling coordinator with CAISO.

---

[2] CAISO tariffs are set by CAISO and approved by the State of California, defining how the charges are calculated and which entities are required to pay such charges.

[3] A Clearing Account is required to be established by the SFPUC which contains sufficient funds to cover CAISO monthly charges to Hetch Hetchy such that APX can access these funds and pay the CAISO tariffs, usually within two business days.

[4] Pass Through Charges are calculated by CAISO for each participant (SFPUC); APX acting as the scheduling coordinator for the SFPUC is not permitted to add any additional fees to the CAISO Pass Through Charges.

According to Mr. Jiayo Chiang, Manager of SFPUC's Power Purchasing and Scheduling group, the SFPUC paid PG&E approximately $13,600,000 in FY 2014-15, which included approximately $5,300,000 for transmission charges.

Actual transmission charges for FY 2015-16, based on CAISO's billings for July, August and September total $4,969,988 as shown in the Table below.

Table: CAISO Transmission Charges

Month	Amount
July, 2015	$1,611,696
August, 2015	1,678,129
September, 2015	1,680,163
Total	**$4,969,988**

Source: SFPUC

Mr. Chiang advises that APX has already paid the CAISO transmission charges for July and August 2015, from their existing $5,000,000 scheduling coordination and consulting support services agreement, such that APX will not have sufficient funding to cover their ongoing scheduling coordination and consulting support services activities. Therefore, the proposed resolution should be amended to provide retroactive authorization to APX back to the commencement of this agreement on June 16, 2015 to cover the previous payments to CAISO.

CAISO billings can vary monthly depending on usage. Based on the approximately $5,000,000 charges incurred for the first three months of FY 2015-16, SFPUC will incur approximately $20,000,000 of transmission charges from CAISO per year. Over five years, the SFPUC is projected to incur approximately $100,000,000 of CAISO transmission charges.

Under the proposed resolution, the APX agreement would be amended to enable APX to pay for these new CAISO charges. The proposed first amendment would not increase the existing not to exceed $5,000,000 to be paid to APX for their coordinator scheduling and as-needed consulting support services.

The SFPUC's approved FY 2015-16 budget for the Power Enterprise includes $22,000,000 to fund these CAISO transmission costs. Ms. Mitchell notes that revenues are collected from electric power users, primarily through work orders in City department's budgets, to offset the increasing costs of electric power.

RECOMMENDATIONS

1. Amend the resolution to provide retroactive authority to APX back to June 16, 2015, when the original agreement commenced, to cover APX's previous payments to CAISO.

2. Approve the proposed resolution as amended.

Item 10 **File 15-1169**	**Department:** San Francisco Public Utilities Commission (SFPUC)

EXECUTIVE SUMMARY

Legislative Objectives

- Resolution approving and authorizing the General Manager of the San Francisco Public Utilities Commission (SFPUC) to negotiate and execute Hetchy Hetchy Water and Power funded agreement for Planning and Design Services, Mountain Tunnel Improvements (Agreement No. CS-249), for an amount not to exceed $21,000,000 and a term of up to ten years, pursuant to Charter Section 9.118.

Key Points

- Mountain Tunnel was originally constructed between 1917 and 1925, and is currently used to deliver water from Hetch Hetchy Reservoir into the Priest Reservoir in Tuolumne County, as part of the SFPUC's water supply system. In 2008, an inspection of Mountain Tunnel concluded that certain sections of the lining had deteriorated significantly making the Tunnel vulnerable to seismic events, rock falls, diminished water quality and decreased hydroelectric generation capacity.
- On June 17, 2015, the SFPUC issued a Request for Proposals (RFP) to provide planning, design and engineering services for improvements to Mountain Tunnel. On August 7, 2015, the SFPUC received three proposals and selected McMillen Jacobs Associates. The proposed agreement is anticipated to commence on January 25, 2016 and extend for ten years, or through January 24, 2026.

Fiscal Impact

- The SFPUC's ten-year capital plan for FY 2015 through 2024 includes a total of $627.8 million for the Mountain Tunnel Access Improvement and Rehabilitation Bypass Projects, including $11,317,000 which was appropriated in FY 2015-16.
- The subject not to exceed $21 million agreement will be funded with commercial paper. The total Mountain Tunneling Project cost of $680 million, which includes the proposed not to exceed $21 million design and engineering agreement, will ultimately be funded through the sale of water and power revenue bonds, which would refund the outstanding commercial paper. The debt service costs for such revenue bonds would be repaid from the revenues received from the sale of water and power to SFPUC customers.

Recommendations

- Amend the proposed resolution to provide that the term of the proposed agreement would be for a duration of ten years, with options to extend for up an additional three years, for a total of up to 13 years.

- 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

Mountain Tunnel, which was originally constructed between 1917 and 1925, is currently used to deliver water from the Hetch Hetchy Reservoir into the Priest Reservoir in Tuolumne County, as part of the San Francisco Public Utilities Commission's (SFPUC) complex water supply system from Hetch Hetchy Valley in Yosemite National Park to the San Francisco Bay Area. The map on the following page shows Mountain Tunnel relative to the rest of the Hetch Hetchy Regional Water System.

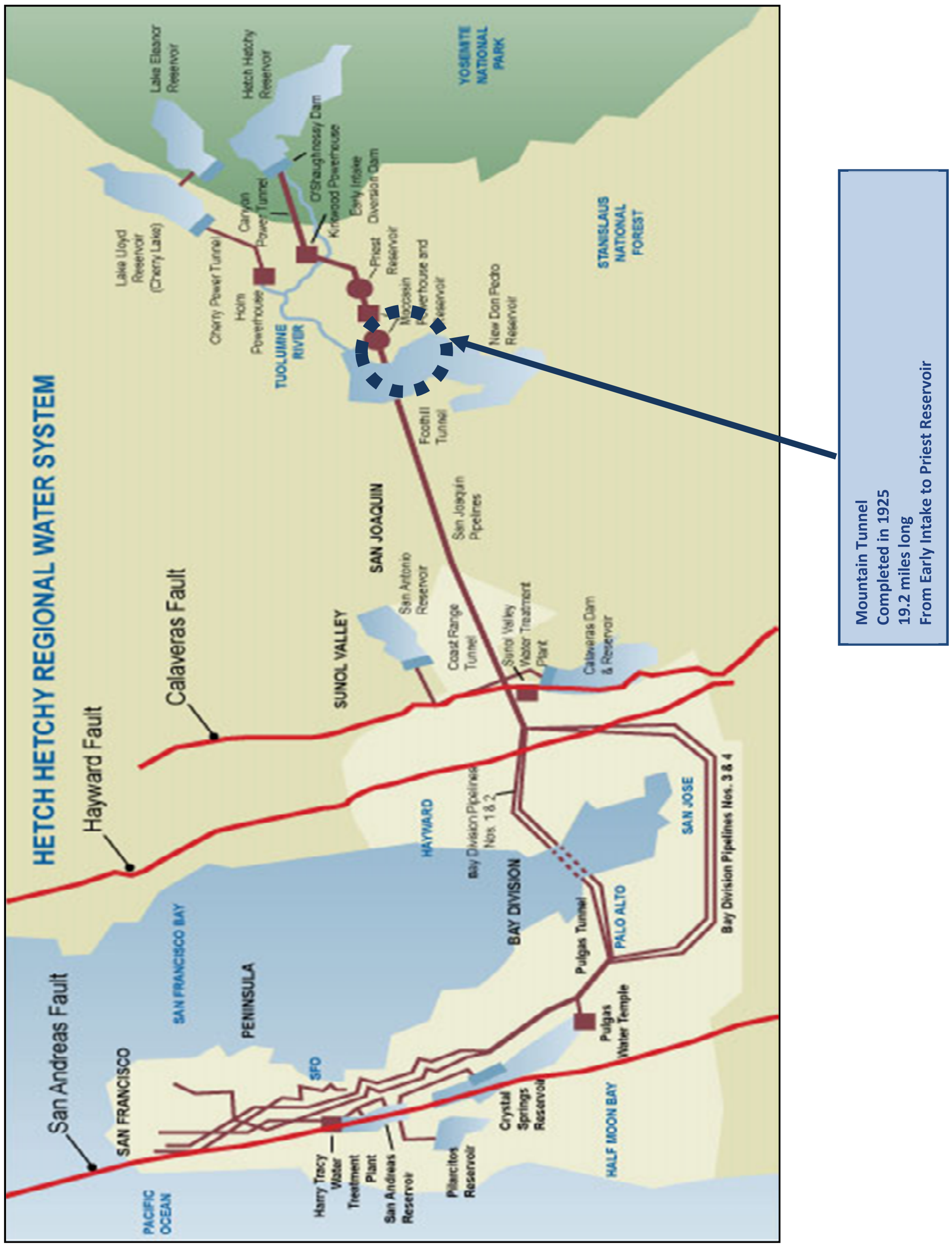
In 2002, the SFPUC's Water System Improvement Program (WSIP)[1] included a $3.5 million project for Mountain Tunnel to patch some cracks and repair a short segment of the lining. However, in 2005, this project was removed from the WSIP schedule, when it was determined that the proposed minor repairs were not adequate. In 2008, a more comprehensive inspection of Mountain Tunnel concluded that certain sections of the lining had deteriorated significantly making the Tunnel vulnerable to seismic events, rock falls, diminished water quality and decreased hydroelectric generation capacity.

The SFPUC's approved ten-year capital plan for FY 2015 through 2024 includes $627.8 million for the Mountain Tunnel Access Improvement and Rehabilitation Bypass Projects, including $11,317,000 which was previously appropriated by the Board of Supervisors in FY 2015-16.

On June 17, 2015, the SFPUC issued a Request for Proposals (RFP) to provide planning, design and engineering services for improvements to Mountain Tunnel. These services specifically include providing tunnel inspections, geotechnical and hazardous materials investigations, laboratory testing and reporting, analysis, design and repair of deep rock tunnels, plans and specifications of construction contract documents, preparing Conceptual Engineering Reports, engineering cost estimates, construction schedules, engineering support during environmental review, bid, award and construction of tunnel improvements and related tasks.

On August 7, 2015, the SFPUC received three proposals from (1) McMillen Jacobs Associates, (2) Jacobs Engineering, and (3) AECOM. The SFPUC conducted an evaluation to select McMillen Jacobs Associates as the highest ranked firm, with Jacobs Engineering ranking second.

[1] WSIP is the SFPUC's comprehensive $4.8 billion water system capital improvement program to rebuild and rehabilitate San Francisco's regional and local drinking water systems.


HETCH HETCHY REGIONAL WATER SYSTEM
San Andreas Fault
Hayward Fault
Calaveras Fault
Lake Eleanor Reservoir
Hetch Hetchy Reservoir
YOSEMITE NATIONAL PARK
O'Shaughnessy Dam
Kirkwood Powerhouse
Early Intake Diversion Dam
Canyon Power Tunnel
Lake Lloyd Reservoir (Cherry Lake)
Cherry Power Tunnel
Holm Powerhouse
Priest Reservoir
Moccasin Powerhouse and Reservoir
TUOLUMNE RIVER
New Don Pedro Reservoir
STANISLAUS NATIONAL FOREST
Foothill Tunnel
SAN JOAQUIN
San Joaquin Pipelines
San Antonio Reservoir
SUNOL VALLEY
Coast Range Tunnel
Sunol Valley Water Treatment Plant
Calaveras Dam & Reservoir
HAYWARD
Bay Division Pipelines Nos. 1 & 2
BAY DIVISION
SAN JOSE
Bay Division Pipelines Nos. 3 & 4
Pulgas Tunnel
PALO ALTO
Pulgas Water Temple
SAN FRANCISCO BAY
PENINSULA
SFO
SAN FRANCISCO
Crystal Springs Reservoir
HALF MOON BAY
Harry Tracy Water Treatment Plant
San Andreas Reservoir
Pilarcitos Reservoir
PACIFIC OCEAN
Mountain Tunnel
Completed in 1925
19.2 miles long
From Early Intake to Priest Reservoir

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve and authorize the General Manager of the San Francisco Public Utilities Commission (SFPUC) to negotiate and execute a Hetch Hetchy Water and Power funded agreement for Planning and Design Services, Mountain Tunnel Improvements (Agreement No. CS-249), for an amount not to exceed $21,000,000 and a term of up to ten years, pursuant to Charter Section 9.118.

According to Ms. Johanna Wong, SFPUC's Mountain Tunnel Program Manager, the proposed agreement is anticipated to commence on January 25, 2016 and extend for ten years, or through January 24, 2026, with options to extend for up to an additional three years, or through January 24, 2029, to coincide with the potential term of the construction and other unanticipated conditions. The proposed resolution states that the term of the proposed agreement would be for a not-to-exceed duration of ten years. Therefore, the proposed resolution should be amended to provide that the term of the proposed agreement would be for a duration of ten years, with options to extend for an additional three years, for a total of up to 13 years.

In accordance with the results of the RFP process, the proposed resolution would authorize the SFPUC to enter into an agreement with McMillen Jacobs Associates, as the highest ranking firm. However, the proposed resolution also states that in the event negotiations are not successful or City requirements are not satisfied, the Board of Supervisors approves and authorizes the General Manager of the SFPUC to negotiate and execute a professional services agreement with the next highest ranked proposer for the same amount and duration, pursuant to Charter Section 9.118. As noted above, Jacobs Engineering was the next highest ranked proposer.

Under the proposed agreement, there is a planned Mountain Tunnel shutdown for 60 days in 2017. Due to operational constraints, Mountain Tunnel can only be taken out of operation for the proposed inspections and immediate repairs during lower demand months, which is typically during the winter months of January and February. During this 60-day shutdown, the SFPUC will rely on Bay Area reservoirs to meet customer demands for water.

On October 27, 2015, the SFPUC Commission approved a resolution authorizing this Planning and Design Services agreement for a not to exceed $21,000,000 for up to ten years (SFPUC Resolution No. 15-0216).

FISCAL IMPACT

As noted above, a total of $11,317,000 was previously appropriated by the Board of Supervisors for the Mountain Tunneling Projects in the FY 2015-16 SFPUC's Hetch Hetchy operating budget. According to Mr. Carlos Jacobo, the Budget Director for the SFPUC, the subject not to exceed $21 million agreement is currently being funded with commercial paper. Mr. Jacobo notes that the total Mountain Tunneling Projects cost of $680 million[2], which includes the proposed not to exceed $21 million design and engineering agreement, will ultimately be funded through the sale of SFPUC's water and power revenue bonds, which would also be used to refund the outstanding commercial paper. The debt service costs for such revenue bonds would be repaid from the revenues received from the sale of water and power to SFPUC customers.

The proposed budget for the subject not to exceed $21 million agreement is shown in Table 1 below.

Table 1: Projected Not to Exceed $21 Million Agreement

Tasks	Amount
Planning Phase	$ 414,811
Review Background Information	276,196
Tunnel Inspection and Condition Assessment	830,585
Interim Repairs	604,244
Conceptual Engineering	1,475,618
Design Phase	550,248
Geotechnical Investigation and Site Characterization	2,618,874
Tunnel Engineering and Design	4,208,625
Additional Tunnel Design Improvements	1,500,000
Engineering Support for Environ Review, Bid & Construction	3,075,445
Technology Transfer, Land Assessment and Communications	374,050
Other Direct Costs (Drilling, Travel, Testing)	4,688,626
Profit	345,432
Total	**$20,962,754**

Source: San Francisco Public Utilities Commission staff.

RECOMMENDATIONS

1. Amend the proposed resolution to provide that the term of the proposed agreement would be for a duration of ten years, with options to extend for up an additional three years, for a total of up to 13 years.

2. Approve the proposed resolution as amended.

[2] Although SFPUC's ten-year capital plan which extends through FY 2024 includes $627.8 million for this project, completion of the project is anticipated to extend beyond FY 2024 and cost a total of $680 million.

Item 11 **File 15-1024**	**Department:** San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the sixth amendment to the contract between the San Francisco International Airport (Airport) and T3 East, to continue to provide construction management services for the Airport's Terminal 3 East Improvement Projects. The sixth amendment would increase the total not-to-exceed amount from $9,994,000 to $11,794,000, an increase of $1,800,000, and extend the term of the agreement for one year through November 11, 2016.

Key Points

- In 2011, the Airport initiated the Terminal 3 East Improvement Project, a $253,000,000 project to expand the existing Terminal 3 East.
- In August 2011, the San Francisco Airport Commission awarded a contract to the joint venture of URS Corporation and Environmental & Construction Solutions, (URS/ECS) to perform construction management services to support the Terminal 3 East Improvement Project. The contract has been amended four times since the original contract was executed in 2011. (The fifth amendment was cancelled).

Fiscal Impact

- The Airport has expended or encumbered $9,994,000 for construction management services and projects.
- The additional requested $1,800,000 is required to continue to provide construction management services for the Terminal 3 East Improvement Project for the additional requested one-year extension. Ms. Geraldine Rayca, Manager of the Airport's Contract Management Unit, states that funds for the requested contract amendment have previously been appropriated by the Board of Supervisors for the Airport's Construction Management contract in the Terminal 3 East Improvement Project budget.

Recommendations

- Amend the proposed resolution for retroactivity.
- 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

In 2011, the San Francisco International Airport (Airport) initiated the Terminal 3 East Improvement Project (Project), a $253,000,000 project to expand the existing Terminal 3 East. The Project will provide an additional 52,000 square feet to accommodate three new gates, an enhanced concessions program and passenger amenities, and include a seismic upgrade with new upgraded mechanical, plumbing, and electrical infrastructure, and airport systems. The Project is expected to be completed in December 2016. The Project is part of the Airport's Five-Year Capital Improvement Plan, which is prepared on an annual basis to prioritize capital projects and requirements.

In August 2011, the San Francisco Airport Commission awarded a contract to the joint venture of URS Corporation and Environmental & Construction Solutions, (URS/ECS) to perform construction management services to support the Terminal 3 East Improvement Project. The contract was for a not-to-exceed amount consisting of $2,221,000 for a term of three years and five months, commencing on August 1, 2011 and expiring on December 31, 2014. The contract has been amended four times since the original contract was executed in 2011. In the 2nd Amendment, Airport staff changed the contract expiration date to August 2013 in order to require project teams to review contracts for performance on an annual basis. A fifth amendment to the contract was drafted, but never executed by the Airport. The original contract and the four amendments were not subject to Board of Supervisors approval because they were for less than $10 million and 10 years.

Table 1 below shows the changes to the contract in the first through fourth amendments.

Table 1: Summary of Amendments to T3 East Construction Management Contract

Contract and Amendments	Commencement Date	Not-To-Exceed Amount	Expiration Date
Original Contract [a]	8/1/2011	$2,221,000	12/31/2014
1st Amendment [b]	8/1/2012	$4,384,000	8/31/2013
2nd Amendment	9/1/13	$5,584,000	2/28/2014
3rd Amendment [c]	11/12/2013	$7,884,000	11/11/2014
4th Amendment	11/12/2014	$9,994,000	11/11/2015

[a] The original contract term was through December 31, 2014 but the contract amount of $2,221,000 was only for the first year.

[b] The first amendment revised the contract term to provide for a 13-month term from August 1, 2012 to August 31, 2013.

[c] The third amendment revised the contract term to provide for a 12-month term from November 12, 2013 to November 11, 2014.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the sixth amendment to the contract between the Airport and T3 East[1], to continue to provide construction management services for the Airport's Terminal 3 East Improvement Projects. The sixth amendment would increase the total not-to-exceed amount from $9,994,000 to $11,794,000, an increase of $1,800,000, and extend the term of the agreement for one year through November 11, 2016.

The proposed resolution should be amended to approve the sixth amendment retroactive to November 11, 2015. Due to scheduling constraints, the proposed resolution was unable to be heard by the Board of Supervisors before the contract had expired.

FISCAL IMPACT

The Airport has expended or encumbered $9,994,000 for construction management services, as shown in Table 2 below.

[1] The 3rd amendment to the contract reassigned the contract from URS/ECS to T3 East, a Joint Venture of Cooper Pugeda Management, Inc. and ECS.

Table 2: Contract Expenditures for T3 East Construction Management Contract

	Labor	Other Direct Costs[1]	Total
Actual Expenditures			
Original	1,922,784	13,470	1,936,254
1st Amendment	2,056,015	31,400	2,087,415
2nd Amendment	1,134,127	11,028	1,145,155
3rd Amendment	2,078,046	68,442	2,146,488
4th Amendment	2,528,688	150,000	2,678,688
Total	**9,719,660**	**274,340**	**9,994,000**
Projected Expenditures			
6th Amendment (subject of the report)	1,422,750	377,250	1,800,000
Total Actual and Projected Expenditures	**11,142,410**	**651,590**	**11,794,000**

The additional requested $1,800,000 is required to continue to provide construction management services for the Terminal 3 East Improvement Project for the additional requested one-year extension. Ms. Geraldine Rayca, Manager of the Airport's Contract Management Unit, states that funds for the requested contract amendment have previously been appropriated by the Board of Supervisors for the Airport's Construction Management contract in the Terminal 3 East Improvement Project budget.

RECOMMENDATIONS

1. Amend the proposed resolution for retroactivity.
2. Approve the proposed resolution, as amended.

Item 12 Files 15-1099	Department: San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would find that the Airport's proposed Airport Shoreline Protection Project is fiscally feasible and responsible pursuant to Administrative Code Chapter 29.

Key Points

- The Airport Shoreline Protection Project would implement various capital improvements to protect the Airport from a 100-year flood and anticipated seal level rise, including constructing new shoreline perimeter protections, stabilizing embankments, providing geotechnical improvements, upgrading closure devices and tide gates and environmental mitigation.
- This Project is included in the Airport's Five Year Capital Plan, which was approved by the Board of Supervisors as part of the City's Capital Plan in April, 2015.
- Chapter 29 of the City's Administrative Code states that the Board of Supervisors shall evaluate a project's financial feasibility and responsibility if (a) the project is subject to environmental review under the California Environmental Quality Act (CEQA), (b) total project costs are estimated to exceed $25,000,000, and (c) construction costs are estimated to exceed $1,000,000. Chapter 29 states the Board of Supervisors shall review the project's financial feasibility and responsibility, in five areas including: (1) direct and indirect financial benefits to the City, (2) construction costs, (3) available funding, (4) long-term operating and maintenance costs, and (5) debt load carried by the relevant City Department.

Fiscal Impact

- The fiscal benefits are primarily from the jobs, payroll and economic impacts during construction. However, if the proposed project is not completed, the Airport's runways could flood, reducing the number of take-offs and landings, resulting in decreased number of passengers, economic activity and tax revenues to the Airport, City and region.
- The Airport Shoreline Protection Project is estimated to cost $57,509,880, including $8,610,403 for planning, design, inspection, project and construction management expenses and $48,899,477 for construction expenses.
- This project would be funded with Airport General Aviation Revenue Bonds, with an average of $4.9 million annual debt service paid over 30 years from Airport airline and non-airline operating revenues. The Airport has $1.64 billion available of previously authorized by unissued debt, which could be used to finance this project. The Airport also has $945.6 million remaining appropriation previously approved by the Board of Supervisors for Airport capital projects.
- The Budget and Legislative Analyst considers the proposed Airport Shoreline Protection Project to be fiscally feasible and responsible.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

Chapter 29 of the City's Administrative Code requires projects[1] to be submitted to the Board of Supervisors to approve the fiscal feasibility and responsibility of the project prior to submitting the project to the Planning Department for environmental review if (a) the project is subject to environmental review under the California Environmental Quality Act (CEQA), (b) total project costs are estimated to exceed $25,000,000, and (c) predevelopment, planning and/or construction costs are estimated to exceed $1,000,000 of public monies. Chapter 29 specifies five areas for the Board of Supervisors to consider when reviewing the fiscal feasibility and responsibility of a project, including the (1) direct and indirect financial benefits to the City, including costs savings or new revenues, including tax revenues, (2) construction costs, (3) available funding, (4) long term operating and maintenance costs, and (5) debt load carried by the relevant City department. Chapter 29 also states that a finding of fiscal feasibility and responsibility means that a "project merits further evaluation and environmental review."

BACKGROUND

On April 21, 2015, the Board of Supervisors adopted the City's Ten-Year Capital Expenditure Plan for FYs 2016-2025 (Resolution No. 144-15), which includes capital projects for the San Francisco International Airport (Airport). The Airport's Five-Year Capital Plan for FY 2015-2019, approved by the Airport Commission, specifies completion of a shoreline protection feasibility study to analyze the Airport's vulnerability to flooding from a 100-year flood and likely sea level rise. The Airport's Capital Plan indicates that based on the feasibility study's findings, the Airport will begin design and construction of both near term and longer term measures to protect the Airport's shoreline. The estimated five year cost of such measures is $48 million, with the total project cost estimated at $57.5 million over ten years.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would find the Airport's proposed Shoreline Protection Project at San Francisco International Airport to be fiscally feasible and responsible, in accordance with Chapter 29 of the City's Administrative Code. Approval of this resolution would allow the Airport to proceed with environmental review for the project.

Airport Shoreline Protection Project

San Francisco International Airport (Airport) occupies approximately 5,171 acres of land, with approximately eight miles of shoreline along the west side of San Francisco Bay. Since the early 1980s, the Airport has constructed various types of seawalls, including earth berms, concrete dikes and vinyl sheet piles along portions of the shoreline to prevent water from entering the airfield. Recognizing that there were significant gaps in these seawalls, combined with the

[1] Chapter 29 excludes various types of projects from the fiscal feasibility requirement, including (a) any utilities improvement project by the Public Utilities Commission, (b) projects with more than 75 percent of funding from the San Francisco Transportation Authority, and (c) a project which was approved by the voters of San Francisco.

future potential for sea level rise and flooding, in 2013, based on a competitive Request for Proposal (RFP) process, the Airport contracted with Moffatt & Nichol + AGS Joint Venture, a consulting firm, at a cost of $500,000 to conduct an Airport Shoreline Protection Project Feasibility Study Evaluation and Recommendations Report.

This Airport Shoreline Protection Project Feasibility Report, issued in June 2015, recommended various improvements to protect the Airport from a 100-year flood and anticipated sea level rise. Based on this consultant study, in September 2015 the Airport staff issued a Fiscal Feasibility Study for the Airport Shoreline Protection Project. According to Ms. Rosalyn Yu, Contract Manager for Design and Construction at the Airport, all the recommended improvement projects would provide system wide flood protection, in accordance with the Federal Emergency Management Agency (FEMA) levee standards.

The proposed Airport Shoreline Protection Project would address the identified deficiencies to protect and improve the existing seawall and levees along the Airport's shoreline by

- constructing new shoreline protection segments at the Mel Leong Waste Treatment Plant, U.S. Coast Guard Station and the south end boundary along the perimeter of the airfield;
- stabilizing the embankments at the end of Runway 19s and at the intersection of Taxiways Lima (L) and Charlie (C), including replacing vinyl sheets along Runway 1R and capping existing concrete seawalls at various locations;
- providing geotechnical improvements by installing seepage cutoff walls at the end of Runways 19L and 19R;
- constructing closures devices at drainage outfall pump stations and upgrading tide gates downstream of San Bruno Creek to provide higher outflow capacity; and
- including environmental mitigation measures.

These Airport Shoreline Protection Program improvements are expected to take four to six years to complete and cost an estimated $57.5 million. If the Board of Supervisors approves the proposed resolution finding that the Airport Shoreline Protection Project is fiscally feasible and responsible, Airport staff intends to submit an Environmental Evaluation Application to the City's Planning Department for environmental review of this project in accordance with the California Environmental Quality Act (CEQA) and Chapter 31 of the City's Administrative Code. In order to expedite this Project, the Airport intends to pursue the environmental review process concurrently with the environmental permitting process[2]. The Airport estimate completion of the environmental review and permitting process would take approximately 18-24 months to complete.

[2] The Airport anticipates that permits will be required from the U.S. Army Corps of Engineers, U.S. Fish and Wildlife Service, California Department of Fish and Wildlife, National Marine Fisheries Service, San Francisco Bay Regional Water Quality Control Board, San Francisco Bay Conservation and Development Commission, and Bay Area Air Quality Management District.

The overview photograph of the Airport below highlights the specific areas that would be addressed with the proposed Airport Shoreline Protection Project improvements.

Fiscal Feasibility of the Airport Shoreline Protection Project

In accordance with Chapter 29 of the City's Administrative Code, the following five areas are to be considered by the Board of Supervisors for determination of fiscal feasibility: (1) direct and indirect financial benefits to the City, including cost savings or new revenues, including tax revenues, (2) construction cost, (3) available funding, (4) long term operating and maintenance costs, and (5) debt load carried by the relevant City department.

(1) Direct and Indirect Financial Benefits

According to the September 2015 *Feasibility Study* (*Study*) for the proposed Airport Shoreline Protection Project, prepared by the Airport, the new direct and indirect financial benefits primarily address the jobs, payroll and related economic benefits that would be created during construction. Otherwise, the direct and indirect financial benefits of the proposed Shoreline Protection Project do not address new revenues or cost savings, but rather the maintenance of existing and future revenues to the Airport, the City's General Fund and the region that would otherwise be lost or diminished if the Airport and its runways and taxiways were to flood, thereby reducing the number of take-offs and landings, which would cause passengers, economic activity and tax revenues to decrease.

Airport and City Revenue Benefits

The Airport advises that the proposed Shoreline Protection Project is essential to ensure safe operations of air traffic during extreme storms and in the future, with potential sea level rise. Otherwise, flooding at the Airport could result in closure of runways, significantly decreasing passenger traffic and negatively impacting Airport operations and revenue. In accordance with the Lease and Use Agreement between the Airport and the airlines, which extends through FY 2020-21, the Airport pays 15% of gross concession revenues as an Annual Service Payment to the City's General Fund. Therefore, reductions in Airport operations and revenue would decrease the Airport's Annual Service Payment to the City's General Fund. The FY 2014-15 Annual Service Payment to the City's General Fund was $40.5 million.

Employment Benefits

If the proposed project is not undertaken such that flooding occurs at the Airport, negatively impacting Airport operations and passenger activity, the Airport estimates a significant number of the 36,000 direct jobs at the Airport and related $2.4 billion payroll and resulting tax revenues could be impacted, although specific amounts are not identified. Based on the construction costs of the Shoreline Protection Project, approximately 414 new one-time jobs would be created. These would be limited-term jobs during the approximate four to six-year duration of the project.

Economic and Tax Benefits

According to the Airport's *Fiscal Feasibility Study,* the Airport generated approximately $6 billion of direct business activity and $59 billion of indirect economic activity in FY 2013-14 for San Francisco and the Bay Area[3]. Related to such economic activity, State and local taxes attributed to the Airport in FY 2013-14 are estimated to total $2.5 billion. As noted above, the proposed project would protect the airfield from potential flooding and thereby protect the Airport against potential future losses of passengers, economic activity and related tax benefits.

(2) <u>Construction Costs</u>

The fiscal feasibility of a project must be determined, pursuant to Administrative Code Chapter 29, for projects with (a) total costs over $25,000,000, and (b) predevelopment, planning or construction costs over $1,000,000 of public monies. The proposed Airport Shoreline Protection Project is estimated to cost $8,610,403 in related planning, design, inspection,

[3] Economic Development Research Group, Inc., "2014 Economic Impact Study Update San Francisco International Airport", prepared for San Francisco Airport Commission, December 2014.

project and construction management costs (soft costs) and $48,899,477 in construction costs, resulting in total estimated project costs of $57,509,880, as shown in Table 1 below.

Table 1: Estimated Non-Construction and Construction Costs

	Soft Costs	Construction Costs	Total
Seawall Improvements	$5,864,068	$27,854,366	$33,718,434
Embankment Improvements	1,438,823	6,834,418	8,273,241
Geotechnical Improvements	719,051	3,415,500	4,134,551
Closures	588,461	2,795,193	3,383,654
Environmental Mitigation	0	8,000,000	8,000,000
Total	**$8,610,403**	**$48,899,477**	**$57,509,880**

(3) Available Funding

As noted above, the Airport's Capital Plan, previously approved by the Airport Commission and the Board of Supervisors, included an estimated cost of $48 million for the Airport Shoreline Protection Project over five years and an estimated cost of $57.5 million over ten years. The Airport anticipates funding the entire $57,509,880 using Airport General Aviation Revenue Bonds. Debt service for such Airport Revenue Bonds is paid by the Airport from operating revenues, including airline and non-airline revenues.

Currently, the Board of Supervisors has authorized a total of $3.19 billion of Capital Bonds for the Airport, of which $1.64 billion remain unissued. The Airport would use a portion of this unused bond authorization to finance this project. In addition, Ms. Nicole Sanders of the Airport advises that there is approximately $945.6 million remaining from the $1,969.8 million supplemental appropriation previously approved by the Board of Supervisors for capital projects in 2014 that could be used for this project.

(4) Long Term Operating and Maintenance Costs

The Airport estimates the long-term operating and maintenance costs from the proposed project would not be significantly different from current practices. Maintenance activities will be performed by Airport Maintenance staff and include the ongoing costs to perform routine inspections of the seawalls, recording findings and preparing repair recommendations in accordance with Federal Emergency Management Agency (FEMA) certification guidelines.

(5) Debt Load of the Airport

Currently, the Airport manages an approximately $4.5 billion debt portfolio, which is primarily used to fund capital projects. As noted above, the Airport intends to finance the proposed Airport Shoreline Protection Project with the issuance of Airport General Aviation Revenue Bonds, thus incurring additional Airport debt. As noted above, the Board of Supervisors has currently authorized a total of $3.19 billion of Capital Bonds for the Airport, of which $1.64 billion remain unissued.

Debt service costs to repay Airport revenue bonds are paid from Airport operating revenues, received from the airlines doing business at the Airport through the various Airport rates and charges as well as from non-airline lease and concession revenues. Issuance of any additional Airport revenue bonds would be subject to approval and appropriation by the Board of Supervisors.

The Airport estimates that the total $57.5 million Shoreline Protection Project would result in $147.9 million of debt service payments over the projected 30-year term of the bonds, including approximately $80.1 million of interest costs. This assumes a conservative interest rate of 6.1%, a 12-month capitalized interest period, 3% cost for issuance expenses and 10% debt service reserve requirement. Overall, debt service payments would be approximately $4.93 million annually over the 30 year term of the bonds.

FISCAL IMPACT

As discussed above, funding of the Airport Shoreline Protection Project would be contingent on issuance of future Airport revenue bonds, and appropriation of the bond proceeds for this project by the Board of Supervisors. Annual debt service on the proposed bonds would be paid from annual Airport operating revenues, which include annual payments to the Airport by the airlines under their landing fee and other lease agreements as well as from concession and other non-airline revenues.

As a result of the Airport's "residual rate setting methodology" (a breakeven policy) used by the Airport to determine rental rates, landing fees, and related fees for all airlines, increases in the Airport's operating costs due to increased debt service will be primarily funded by increased annual payments by the airlines to the Airport under their landing fee and other lease agreements with the Airport.

Conclusion

Based on the five areas described above, the Budget and Legislative Analyst concurs that the Airport's proposed Airport Shoreline Protection Project is fiscally feasible and responsible. Approval by the Board of Supervisors of the resolution would authorize the Airport to move forward with environmental review under CEQA.

RECOMMENDATION

Approve the proposed resolution.

Item 13 **File 15-1020**	**Department:** Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would amend the previously approved ordinance that authorized the PUC to sell $1.7 billion in water revenue bonds, and allow the PUC to enter into one or more State Water Resources Control Board agreements for loans in an amount up to $1.7 billion to finance Water Enterprise projects, including the San Francisco Westside Recycled Water Project.

Key Points

- In April 2010, the Board of Supervisors adopted Ordinance No. 89-10 approving the sale of water revenue bonds in a principal amount not-to-exceed $1,737,724,038. Since the authorization to sell water revenue bonds, an additional funding source has become available to finance the PUC Water Enterprise projects. The Clean Water State Revolving Loan Fund Program, administered by the State Water Resources Control Board, provides low interest loans (SRF loans) and other financing mechanisms to fund water quality projects. The PUC's Water Enterprise's planned San Francisco Westside Recycled Water Project is eligible for State loan funds.

Fiscal Impact

- The State loan to fund the PUC's Westside Recycled Water Project provides a lower interest rate than revenue bond financing, having a current estimated interest rate of 1.6 percent. This compares to an estimated interest rate of 4 to 5 percent if the PUC water revenue bonds were used as a funding source. Using State loan funds as funding source for the $188.1 million Westside Recycled Water Project would save the City an estimated $3.8 million in interest costs. Such interest savings would be passed on to PUC water customers in order to offset future water rate increases.
- Based on current market interest rates, PUC estimates that every $100.0 Million financed with State loans instead of revenue bonds results in a debt service savings of approximately $2.0 million each year over the life of a 30-year loan.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT

City Charter Section 8B.124 states that the Public Utilities Commission (PUC) may issue revenue bonds and other forms of indebtedness when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors, for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities or clean water facilities or combinations of water and clean water facilities under the jurisdiction of the Public Utilities Commission.

BACKGROUND

In April 2010, the Board of Supervisors adopted Ordinance No. 89-10 approving the sale of water revenue bonds in a principal amount not-to-exceed $1,737,724,038.

Since the authorization to sell water revenue bonds, an additional funding source has become available to finance the PUC recycled water projects. The Clean Water State Revolving Loan Fund Program, administered by the State Water Resources Control Board, provides low interest loans (SRF loans) and other financing mechanisms to fund water quality projects. The PUC's Water Enterprise's planned San Francisco Westside Recycled Water Project is eligible for State loan funds.

Clean Water SRF for Water Recycling Funding Program

The San Francisco Westside Recycled Water Project is a PUC Water Enterprise project that will begin construction in September 2016. It would bring recycled water from a recycled water treatment facility to Golden Gate Park, Lincoln Park Golf Course, the Presidio Golf Course and the National Cemetery to be used for irrigation. The Board of Supervisors has previous project appropriations to the Westside Project $157,050,710 in water revenue bond proceeds. The PUC's 10-Year Capital Plan recommends a need for additional water revenue bond funds of $31,078,000 for the period FY 2016-17 through FY 2019-20, for an estimated total Project budget of $188,128,710.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the previously approved ordinance that authorized the PUC to sell $1.7 billion in water revenue bonds, and allow the PUC to enter into one or more State Water Resources Control Board agreements for loans in an amount up to $1.7 billion to finance Water Enterprise projects, including the San Francisco Westside Recycled Water Project.

FISCAL IMPACT

The State loan to fund the PUC's Westside Recycled Water Project provides a lower interest rate than revenue bond financing, having a current estimated interest rate of 1.6 percent. This compares to an estimated interest rate of 4 to 5 percent if the PUC water revenue bonds were used as a funding source. Using State loan funds as funding source for the $188.1 million Westside Recycled Water Project would save the City an estimated $3.8 million in interest costs annually. Such interest savings would be passed on to PUC water customers in order to offset future water rate increases.

No other PUC Water Enterprise projects are identified as eligible for SRF loans at this time. However, the proposed ordinance would provide the PUC authority to borrow up to $1.7 billion in SFR Loans instead of the originally approved water revenue bonds should additional projects become eligible.

RECOMMENDATION

Approve the proposed ordinance.

Item 14 **File 15-1148**	**Department:** Municipal Transportation Agency (MTA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution authorizes the Director of Transportation to execute an agreement between SFMTA and the Peninsula Corridor Joint Powers Board regarding administration of capital funding for the design and construction of the Communications-Based Overlay Signal System Positive Train Control (CBOSS) and the Peninsula Corridor Electrification Project (PCEP). The agreement will commence upon approval by the Board of Supervisors and will terminate on December 31, 2020, which is the expected completion date of CBOSS and PCEP.

Key Points

- CBOSS will track train locations and prevent unsafe train movements through the use of equipment on-board moving trains. CBOSS commenced in February 2012 and is estimated to be completed in November 2016. PCEP will electrify the Caltrain Corridor from San Francisco's 4th and King Caltrain Station to approximately the Tamien Caltrain Station in San Jose, and convert diesel-hauled trains to electric multiple unit trains, thereby increasing up to six additional Caltrain trains in service per peak hour per direction. PCEP commenced in July 2014 and is expected to be completed in 2020.

Fiscal Impact

- The total estimated cost to implement (1) the Communications-Based Overlay Signal System Positive Train Control (CBOSS) project is $231,000,000, and (2) the Peninsula Corridor Electrification Project (PCEP) is $1,531,000,000. Funding for these projects will be provided by members of the Joint Powers Board, State of California, Federal Government, the Metropolitan Transportation Commission, and the Bay Area Air Quality Management District
- SFMTA's responsibilities under the agreement are to act as fiscal agent and disburse up to $39,000,000 of Proposition A Transportation and Road Improvement General Obligation Bond proceeds to the Joint Powers Board, including an initial outlay of $7,760,000 in previously appropriated Bond proceeds for the CBOSS.

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 1988, the San Francisco Municipal Transportation Agency (SFMTA), acting on behalf of the City and County of San Francisco, the San Mateo County Transit District, and the Santa Clara Valley Transportation Authority entered into a Joint Powers Agreement creating the Peninsula Corridor Joint Powers Board (Joint Powers Board) to operate CalTrain and conduct planning studies related to Peninsula commute service. Through this agreement, the members of the Joint Powers Board have agreed to share the costs of capital projects that are not covered by outside sources.

The Joint Powers Board is proceeding with the design and installation of two projects, the Communications-Based Overlay Signal System Positive Train Control (CBOSS) and the Peninsula Corridor Electrification Project (PCEP). CBOSS will track train locations and prevent unsafe train movements through the use of equipment on-board moving trains. CBOSS commenced in February 2012 and is anticipated to be completed in November 2016. PCEP will electrify the Caltrain Corridor from San Francisco's 4th and King Caltrain Station to approximately the Tamien Caltrain Station in San Jose, and convert diesel-hauled trains to electric multiple unit trains, thereby increasing up to six additional Caltrain trains in service per peak hour per direction. PCEP commenced in July 2014 and is expected to be completed in 2020.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes the Director of Transportation to execute an agreement between SFMTA and the Peninsula Corridor Joint Powers Board regarding administration of capital funding for the design and construction of the CBOSS and the PCEP.

The agreement will commence upon approval by the Board of Supervisors and will terminate on December 31, 2020, which is the expected completion date of CBOSS and PCEP.

SFMTA's responsibilities under the agreement are to act as fiscal agent and disburse up to $39,000,000 of Proposition A Transportation and Road Improvement General Obligation Bond proceeds to the Joint Powers Board, including an initial outlay of $7,760,000 in bond proceeds previously appropriated by the Board of Supervisors for the CBOSS (see Fiscal Impact Section below). SFMTA will disburse funds to the Joint Powers Board as costs are incurred and invoices are submitted by the Joint Powers Board.

Responsibilities of the Joint Powers Board include implementation of the CBOSS and the PCEP, recordkeeping and reporting, and submission of requests for reimbursement of costs to SFMTA.

The City will have no obligation to make funding allocations under this agreement should the City fail to appropriate funds for CBOSS or PCEP. The agreement will automatically terminate without expense of any kind to the City, if at the end of any fiscal year the funds are not appropriated for the succeeding fiscal year. In the event of default by the Joint Powers Board, the City may withhold any portion of Bond funds not yet disbursed, and may also demand immediate return of any previously disbursed Bond funds that have been claimed or expended by the Joint Powers Board in breach of the agreement.

FISCAL IMPACT

The total estimated cost to implement (1) the Communications-Based Overlay Signal System Positive Train Control (CBOSS) project is $231,000,000, and (2) the Peninsula Corridor Electrification Project (PCEP) is $1,531,000,000. Funding for these projects will be provided by members of the Joint Powers Board, State of California, Federal Government, the Metropolitan Transportation Commission, and the Bay Area Air Quality Management District.

The City's share of estimated costs to implement both of these projects is $60,000,000, $39,000,000 are Proposition A Transportation and Road Improvement General Obligation Bond funds, previously approved by the San Francisco voters in November 2014. The balance of $21,000,000 was previously authorized by the San Francisco County Transportation Authority (SFCTA)[1]. Both projects are included in San Francisco's 10-Year Capital Plan.

On June 9, 2015, the Board of Supervisors appropriated $7,760,000 of the $39,000,000 in Proposition A Transportation and Road Improvement General Obligation Bond funds for CBOSS (File 15-0459), with $31,240,000 remaining to be appropriated.

The total CBOSS budget is $231,000,000, of which $167,205,858 has been expended and $63,794,142 remains unexpended, as shown in Table 1 below.

Table 1: Budget and Expenditures to Date for CBOSS

Project Category	Budget	Expenditures to Date	Remaining Unexpended Budget
Consultants and Staffing	$49,726,798	$48,078,155	$1,648,643
Design and Construction	138,135,673	116,733,999	21,401,674
Contract Options	35,647,734	2,393,704	33,254,030
Contingency	7,489,795	-	7,489,795
Total	**$231,000,000**	**$167,205,858**	**$63,794,142**

The total PCEP budget is $1,531,000,000. The PCEP budget consists of $958,000,000 for design and construction of electrification infrastructure, and $573,000,000 to purchase new train cars to replace the aging train cars. The Joint Powers Board has expended $22,121,550 to date for PCEP costs, including environmental and real estate consultants, and Joint Power Board staff costs.

[1] The additional $21,000,000 from SFCTA was authorized through SFCTA resolutions 15-28, 14-29, 13-17 and 07-52.

RECOMMENDATION

Approve the proposed resolution.

Items 15, 17, 18 and 19 **Files 15-1029, 15-1041, 15-1042 and 15-1045**	**Department:** Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolutions would amend four behavioral health services contracts between DPH and four non-profit organizations to (i) extend the contract terms for two years from December 31, 2015 to December 31, 2017, and (ii) increase the not-to-exceed amount of each contract.

Key Points

- In June 2015, DPH informed the Board of Supervisors of their intention to request two-year contract extensions for their behavioral health services contracts in order to meet the requirements of the Affordable Care Act and the State Department of Health Care Services 1115 demonstration waiver regarding Medi-Cal organized drug delivery system.
- The extension period would allow DPH to have sufficient time to complete the planning process, issue new RFPs, and award new contracts for behavioral health services.

Fiscal Impact

- The current total not-to-exceed amount of the four contracts is $38,495,982. DPH is requesting a total increase of $13,385,008 in these contracts for a total contract not-to-exceed amount of $51,880,990.
- The contract amounts for the two-year extension from January 1, 2016 through December 31, 2017 include contingencies of 12 percent and Cost of Living Adjustments (COLA) approved by the Board of Supervisors for FY 2015-16 and FY 2016-17.
- The Budget and Legislative Analyst found the requested increase for each of the four contracts to be reasonable, based on actual and projected contract expenditures.

Policy Consideration

- DPH is now in the process of determining how to best align contracted services with the requirements of the Affordable Care Act and the State Department of Health Care Services 1115 demonstration, and plans to issue Requests for Proposals (RFP) in approximately March 2016. DPH considers the two-year contract extension to be necessary in order to prepare multiple RFPs for behavioral health services, stagger the timing of the issuance of these RFPs, and award new contracts, while preventing any break in service delivery.

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

In 2010, the Department of Public Health (DPH) awarded four behavioral health services contracts to four non-profit organizations including A Better Way, Inc., Larkin Street Youth Services, Oakes Children's Center, and the Regents of the University of California at San Francisco (UCSF), after completing a competitive Request for Proposals (RFP) process. Funding for the four contracts was a combination of (i) City General Funds, (ii) State Realignment and State General Funds, (iii) Federal Medi-Cal and Short Doyle Medi-Cal funds, and (iv) work orders. All four non-profit organizations currently have a contract term of five years and six months from July 1, 2010 through December 31, 2015.[1] These contracts were not subject to Board of Supervisors approval because they were for less than $10 million and 10 years.

In June 2015, DPH informed the Board of Supervisors of their intention to request two-year contract extensions for their behavioral health services contracts in order to meet the requirements of the Affordable Care Act. DPH has been involved in a planning process to optimize and integrate contracted community based services into DPH's San Francisco Health Network, an integrated service delivery system. The extension period would allow DPH to have sufficient time to complete the planning process, issue new RFPs, and award new contracts for behavioral health services.

DETAILS OF PROPOSED LEGISLATION

The proposed resolutions would amend four behavioral health services contracts between DPH and four non-profit organizations to (i) extend the contract terms for two years from December 31, 2015 to December 31, 2017, and (ii) increase the not-to-exceed amount of each contract as shown in Table 1 below.

The four non-profit organizations include A Better Way, Inc., Larkin Street Youth Services, Oakes Children's Center, and UCSF.

In addition to meeting new requirements for the Affordable Care Act, DPH must also comply with the State Department of Health Care Services 1115 demonstration waiver regarding Medi-Cal organized drug delivery system, which was approved by the State in August 2015. Ms. Michelle Ruggels, Director of the DPH Business Office, explained that DPH will need to make significant changes to the current substance abuse delivery system and in some cases, create new service models. DPH is now in the process of determining how to best align contracted

[1] DPH made prior amendments to the contract terms and the total not-exceed amounts for A Better Way, Inc. and Oakes Children's Center prior to the proposed resolution.

services with the requirements of the Affordable Care Act and the State Department of Health Care Services 1115 demonstration waiver.

FISCAL IMPACT

The current total not-to-exceed amount of the four contracts is $38,495,982. DPH is requesting a total increase of $13,385,008 in these contracts for a total contract not-to-exceed amount of $51,880,990, as shown in the Table 1 below.

Table 1. Current and Proposed Contract Not-to-Exceed Amounts

Contractor	Item No.	Current Not-to Exceed Amount	Requested Increase	Revised Not-to-Exceed Amount
A Better Way, Inc.	15-1029	$9,982,914	$4,132,394	$14,115,308
Larkin Street Youth Services	15-1041	9,930,795	1,871,834	11,802,629
Oakes Children's Center	15-1042	9,276,533	4,370,003	13,646,536
The Regents of the University of California at San Francisco (Infant Parent Program)	15-1045	9,305,740	3,010,777	12,316,517
Total		**$38,495,982**	**$13,385,008**	**$51,880,990**

Source: Department of Public Health staff.

The Budget and Legislative Analyst found the requested increase for each of the four contracts to be reasonable, based on actual and projected contract expenditures.

According to Ms. Ruggels, the contract amounts for the two-year extension from January 1, 2016 through December 31, 2017 include contingencies of 12 percent and Cost of Living Adjustments (COLA) approved by the Board of Supervisors for FY 2015-16 and FY 2016-17. Additionally, Oakes Children’s Center, which provides therapy on-site to children in San Francisco’s public schools, has had its contract increased to meet the increasing number of referrals by the school district. Finally, Larkin Street Youth Services received State Mental Health Services Funding to expand housing services to its clients.

POLICY CONSIDERATION

Ms. Ruggels advised that the purpose of extending the current contract period by two years until December 31, 2017 is to allow the Department to:

(a) Complete its planning process to identify any service model changes necessary to better meet the needs of the Department’s integrated service delivery system, the San Francisco Health Network, in response to the implementation of the Affordable Care Act;

(b) Finalize its plan for addressing the new requirements of the State Department of Health Care Services 1115 demonstration waiver (Drug Medi-Cal Organized Delivery System) approved by the State in August 2015, which will require significant changes to the current substance abuse delivery system, including entirely new service models; and

(c) Prepare multiple RFPs for behavioral health services, stagger the timing of the issuance of these RFPs, and award new contracts, while preventing any break in service delivery.

DPH will finalize its RFP schedule, which is estimated to be completed by March 2016, pending the completion of an evaluation of community-based services that meet the requirements of the Affordable Care Act and the State's 1115 demonstration waiver.

According to Ms. Ruggels, DPH will prepare a schedule for the issuance of the multiple RFPs for behavioral health services that includes the timeline of the issuance of the RFPs, as well as the effective date of the new services. DPH will submit the new contracts to the Board of Supervisors for approval in accordance with Charter Section 9.118(b).

RECOMMENDATION

Approve the proposed resolutions.

Item 16 **File 15-1037**	**Department:** Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve an amendment to the behavioral health services contract between DPH and HealthRight360, a non-profit agency, to (i) increase the total not-to-exceed amount by $8,459,436 from $18,471,407 to $26,930,843, and (ii) extend the contract term by two years from December 31, 2015 through December 31, 2017.

Key Points

- In June 2015, DPH informed the Board of Supervisors of their intention to request two-year contract extensions for their behavioral health services contracts in order to meet the requirements of the Affordable Care Act and the State Department of Health Care Services 1115 demonstration waiver regarding Medi-Cal organized drug delivery system.
- The extension period would allow DPH to have sufficient time to complete the planning process, issue new RFPs, and award new contracts for behavioral health services.

Fiscal Impact

- Actual and estimated contract expenditures for the 5 years and 6 months from July 1, 2010 through December 31, 2015 are $18,518,407, and projected expenditures (including a 12 percent contingency) for the requested two-year contract extension from January 1, 2016 through December 31, 2017 are $8,412,436, totaling $26,930,843. Table 1 below shows actual and projected expenditures.
- FY 2015-16 expenditures are estimated to be $3,972,789. FY 2016-17 expenditures of $3,683,140 are $289,649 less than FY 2015-16 expenditures of $3,972,789, because, according to Ms. Ruggels, DPH intends to move the $289,649 in Mentoring and Peer Support Project grant funding into a separate stand-alone contract with HealthRight360.
- The Budget and Legislative Analyst found the requested increase for each of the four contracts to be reasonable, based on actual and projected contract expenditures.

Policy Consideration

- DPH is now in the process of determining how to best align contracted services with the requirements of the Affordable Care Act and the State Department of Health Care Services 1115 demonstration, and plans to issue Requests for Proposals (RFP) in approximately March 2016. DPH considers the two-year contract extension to be necessary in order to prepare multiple RFPs for behavioral health services, stagger the timing of the issuance of these RFPs, and award new contracts, while preventing any break in service delivery.

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 2010, the Department of Public Health (DPH) completed a competitive Request for Proposals (RFP) process and awarded Haight Ashbury Free Clinics, Inc., a non-profit agency, a contract to provide psychiatric and substance abuse treatment services to incarcerated individuals.[1] DPH approved a total not-to-exceed amount of $7,147,862 and an initial contract term of two years from July 1, 2010 through June 30, 2012, with three one-year options to extend through June 30, 2015. Haight Ashbury Free Clinic, Inc. and Walden House merged in 2012 to form a new entity now called “HealthRight360”.

Increases to the Contract Term and Not-to-Exceed Amount

The existing contract has been amended two times. DPH amended the contract in 2012 to (i) increase the total not-to-exceed amount by $2,851,138 from $7,147,862 to $9,999,000 and (ii) to extend the contract term by three years and six months through December 31, 2015 for a total contract term of 5 years and six months, instead of exercising the three one-year options.

The original contract and the first amendment were not subject to Board of Supervisor approval as they did not surpass the approval thresholds of $10,000,000 or a contract term of more than ten years.

The Board of Supervisors approved the second amendment in 2013 to increase the total not-to-exceed amount by $8,472,107 from $9,999,000 to $18,471,407 (File 13-0511). The contract term remained unchanged.

In June 2015, DPH informed the Board of Supervisors of their intention to request two-year contract extensions for their behavioral health services contracts in order to meet the requirements of the Affordable Care Act. DPH has been involved in a planning process to optimize and integrate contracted community based services into DPH’s San Francisco Health Network, an integrated service delivery system. The extension period would allow DPH to have sufficient time to complete the planning process, issue new RFPs, and award new contracts for behavioral health services.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve an amendment to the behavioral health services contract between DPH and HealthRight360, a non-profit agency, to (i) increase the total not-to-

[1] This contract was not subject to Board of Supervisors approval as it did not exceed the $10,000,000 not-to-exceed amount and ten-year contract term thresholds.

exceed amount by $8,459,436 from $18,471,407 to $26,930,843, and (ii) extend the contract term by two years from January 1, 2016 through December 31, 2017.

In addition to meeting new requirements for the Affordable Care Act, DPH must also comply with the State Department of Health Care Services 1115 demonstration waiver regarding Medi-Cal organized drug delivery system, which was approved by the State in August 2015. Ms. Michelle Ruggels, Director of the DPH Business Office, explained that DPH will need to make significant changes to the current substance abuse delivery system and in some cases, create new service models. DPH is now in the process of determining how to best align contracted services with the requirements of the Affordable Care Act and the State Department of Health Care Services 1115 demonstration waiver.

FISCAL IMPACT

Actual and estimated contract expenditures for the 5 years and 6 months from July 1, 2010 through December 31, 2015 are $18,518,407, and projected expenditures (including a 12 percent contingency) for the requested two-year contract extension from January 1, 2016 through December 31, 2017 are $8,412,436, totaling $26,930,843. Table 1 below shows actual and projected expenditures.

Table 1. Projected Contract Expenditures

Year	Total Expenses
Actual and Estimated Expenditures	
FY 2010-11	$ 3,191,010
FY 2011-12	3,191,010
FY 2012-13	3,251,958
FY 2013-14	3,359,174
FY 2014-15	3,538,859
July 1, 2015 - December 31, 2015 (6 months)	1,986,396
Total Actual and Estimated Expenditures	$18,518,407
Projected Expenditures	
January 1, 2016 to June 30, 2016 (6 months)	$1,986,393
July 1, 2016 to June 30, 2017	3,683,140
July 1, 2017 to December 31, 2017 (6 months)	1,841,570
Contingency Funds (12%)	901,333
Total Projected Expenditures	$8,412,436
Total Revised Not-to-Exceed Amount	**$26,930,843**
Less Existing Not-to-Exceed Amount	(18,471,407)
New Total Requested Increased Amount	**$8,459,436**

Source: Department of Public Health staff.

FY 2015-16 expenditures are estimated to be $3,972,789. As shown in Table 1 above, FY 2016-17 expenditures of $3,683,140 are $289,649 less than FY 2015-16 expenditures of $3,972,789, because, according to Ms. Ruggels, DPH intends to move the $289,649 in Mentoring and Peer Support Project grant funding into a separate stand-alone contract with HealthRight360. Ms. Ruggels states that this will enhance and simplify DPH's ability to manage the specific grant funded program and the required reporting associated with the use of these grant funds.

Based on actual and projected contract expenditures, the Budget and Legislative Analyst found the requested increase for this contract to be reasonable.

POLICY CONSIDERATION

Ms. Ruggels advised that the purpose of extending the current contract period by two years until December 31, 2017 is to allow the Department to:

(a) Complete its planning process to identify any service model changes necessary to better meet the needs of the Department's integrated service delivery system, the San Francisco Health Network, in response to the implementation of the Affordable Care Act;

(b) Finalize its plan for addressing the new requirements of the State Department of Health Care Services 1115 demonstration waiver (Drug Medi-Cal Organized Delivery System) approved by the State in August 2015, which will require significant changes to the current substance abuse delivery system, including entirely new service models; and

(c) Prepare multiple RFPs for behavioral health services, stagger the timing of the issuance of these RFPs, and award new contracts, while preventing any break in service delivery.

DPH will finalize its RFP schedule, which is estimated to be completed by March 2016, pending the completion of an evaluation of community-based services that meet the requirements of the Affordable Care Act and the State's 1115 demonstration waiver.

According to Ms. Ruggels, DPH will prepare a schedule for the issuance of the multiple RFPs for behavioral health services that includes the timeline of the issuance of the RFPs, as well as the effective date of the new services. DPH will submit the new contracts to the Board of Supervisors for approval in accordance with Charter Section 9.118(b).

RECOMMENDATION

Approve the proposed resolution.

Item 21 **File 15-1215**	**Department:** Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

The proposed resolution would authorize (1) a new lease between the City (as tenant) and Four Fifty Toland, LLC (as landlord) for 450 Toland Street for a term of 10 years, with two five-year options to extend, for an initial lease amount of $735,600 per year with 3 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 a purchase price of $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 a purchase price of $5,000,000.

Key Points

- The General Services Agency's (GSA) Central Shops is currently located at 1800 Jerrold Avenue. The Public Utilities Commission (PUC) plans to occupy 1800 Jerrold Avenue, which is adjacent to the Southeast Water Pollution Control Plant (Plant), as part of the PUC Sewer System Improvement Program (SSIP). The City is proposing to lease a property at 450 Toland Street and purchase properties at 555 Selby Street and 1975 Galvez Avenue for the relocation of Central Shops.

Fiscal Impact

- Wastewater Enterprise funds will be used to pay for the 10-year lease at 450 Toland Avenue ($6,900,000) and purchase of 555 Selby Street ($6,300,000) and 1975 Galvez Avenue ($5,000,000), totaling $18,200,000. Funds in the amount of $18,200,000 are in the Wastewater Enterprise's Sewer System Improvement Program budget, previously appropriated by the Board of Supervisors.

Policy Consideration

- PUC will pay GSA the functional replacement costs to relocate Central Shops, which involves a settlement payment of $73,700,000 from PUC to GSA to pay for the total cost of relocating the Central Shops to the three new locations, including the costs of constructing improvements.
- According to the City's Real Estate Division, the City needs to purchase the two properties at this time to relocate the Central Shops due to the acquisition of 1800 Jerrold Avenue by the PUC for the SSIP. The PUC needs to occupy 1800 Jerrold Avenue by June 30, 2017, and the estimated timeframe to relocate the Central Shops is approximately 18 months.
- However, because the Real Estate Division did not obtain new appraisals of the fair market value of 555 Selby Street and 1975 Galvez Avenue, and because the purchase price of $103.44 per square foot for 1975 Galvez Avenue is higher than the price of comparable properties, ranging from $57 per square foot to $96 per square foot, the Budget and Legislative Analyst considers approval of the proposed resolution to be a policy matter.

Recommendation

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

MANDATE STATEMENT

Administrative Code Section 23.4 provides that acquisitions of real property are subject to Board of Supervisors approval.

City Administrative Code 23.27 states that, where the City is the tenant, any lease with a term of one year or longer or with rent of $5,000 or more per month is subject to Board of Supervisors approval.

BACKGROUND

The General Services Agency's (GSA) Central Fleet Maintenance Shop (Central Shops) is currently located on a 5.3-acre site at 1800 Jerrold Avenue under the jurisdiction of the City's General Services Agency (GSA). The Board of Supervisors approved purchase of the property and surrounding land (a total of 40 acres) for sewage facilities in 1946. The San Francisco Public Utilities Commission (PUC) completed the Southeast Water Pollution Control Plant facilities in the early 1950s, and did not include the 1800 Jerrold Avenue site, which was instead used for Central Shops.

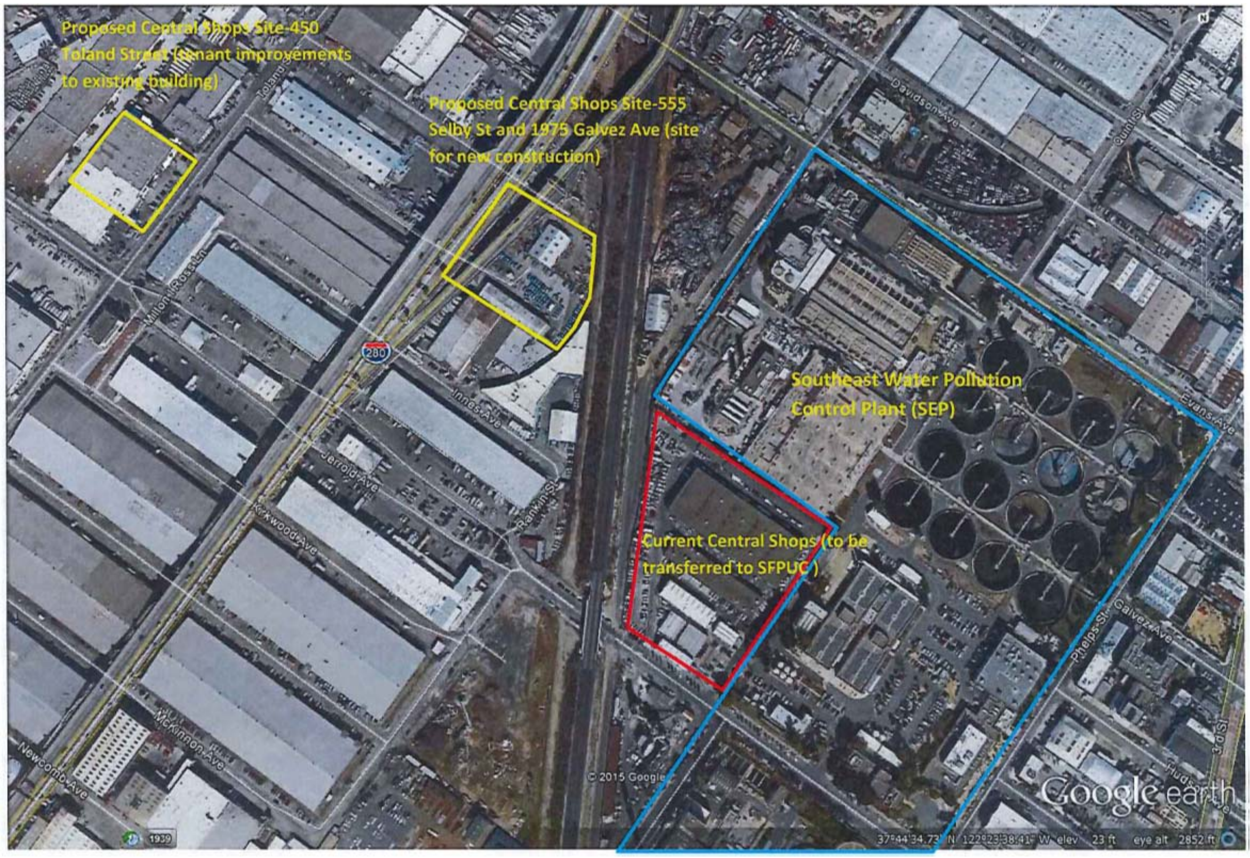
The Public Utilities Commission (PUC) plans to occupy 1800 Jerrold Avenue, which is adjacent to the Southeast Water Pollution Control Plant (Plant), to serve as a staging area for rehabilitation of the Plant. It is also being considered as a potential location for the biosolid digesters[1] as part of the PUC Sewer System Improvement Program (SSIP).

Under the relocation proposal, the General Services Agency (GSA) and the PUC would agree to a jurisdictional transfer of the 1800 Jerrold Avenue site from GSA to the PUC. The GSA plans to relocate Central Shops from 1800 Jerrold Avenue to two sites near its current location. The City would purchase two sites - 1975 Galvez Avenue and 555 Selby Street - for Central Shops heavy duty fleet repair operations. These two adjacent sites would be merged into one site. The City would also enter into a 10-year lease with two five-year options, for 450 Toland Street for the Central Shops light duty fleet repair operations.

A map showing the current and proposed locations for Central Shops are shown in Figure 1 below.

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

Figure 1: Current and Proposed Locations for Central Shops



Source: City Staff

Environmental review of the relocation of Central Shops from 1800 Jerrold Avenue to 555 Selby Street, 1975 Galvez Avenue, and 450 Toland Street has been completed.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the following three real estate transactions:

1. A new lease between the City (as tenant) and Four Fifty Toland, LLC (as landlord) for 450 Toland Street for a term of 10 years, with two five-year options to extend, for an initial lease amount of $735,600 per year (or $61,300 per month) with 3 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 a purchase price of $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 a purchase price of $5,000,000.

The proposed resolution would also find that the proposed use of the three properties is consistent with the City's General Plan and the eight priority policies of San Francisco Planning Code, Section 101.1.[2]

The provisions of the proposed lease are summarized in Table 1 below.

Table 1: Summary of Lease Terms for 450 Toland Street

Initial Term	Approximately 10 years from December 15, 2015 through December 14, 2025
Premises	46,221 rentable square feet of building space and land
Permitted Uses	Central shops, vehicle repair and maintenance, equipment storage, public programs, office, and any other use commensurate with existing zoning
Annual Base Rent	$735,600 ($15.91 per square foot for the 46,221-square-foot premises)
Rent Adjustments	3% annual increase
Option to Extend	Two five-year options to extend through December 14, 2035
Annual Rent During Extensions	$988,585 in December 2025 (with 3% annual increase) $1,146,041 in December 2030 (with 3% annual increase)
Property Management Fee	4% of then-current base rent paid to Landlord by City
Utilities and Maintenance	Paid by City
Janitorial and Security Services	Paid by City
Property Taxes and Insurance	Paid to Landlord by City
Tenant Improvements	City intends to reconfigure the building, modify the parking area, modify building utility systems, and install HVAC systems

The terms of the proposed purchase and sale agreements are summarized in Table 2 below.

[2] 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.

Table 2: Summary of Purchase and Sale Agreements

555 Selby Street	
Premises	72,788 square feet of land; a single-story office building with 13,500 square feet of net rentable area; other buildings, structures, and improvements on the site
Purchase Price	$6,300,000 ($86.55 per square foot of land)
Security Deposit	$189,000
City's Closing Costs	Title insurance, escrow and recording fees

1975 Galvez Avenue	
Premises	48,338 square feet of land; a single-story building with 7,050 square feet of net rentable area; other buildings, structures, and improvements on the site
Purchase Price	$5,000,000 ($103.44 per square foot of land)
Security Deposit	None
City's Closing Costs	Title insurance, escrow and recording fees, property survey, sales taxes

Currently, Central Shops occupies 80,577 square feet of improvements on a land area of 263,102 square feet at 1800 Jerrold Avenue.

Central Shops will occupy 98,000 square feet of improvements, combined at 450 Toland Street, 555 Selby Street, and 1975 Galvez Avenue, on a combined land area of 167,347 square feet, a reduction of 95,755 square feet of land (or a 36 percent reduction), and an increase of 17,423 square feet of improvements (or an approximately 22 percent increase).

FISCAL IMPACT

Fair Market Value for 450 Toland Street Lease

According to Mr. Updike, the most recent available leasing data for industrial properties in San Francisco was published by CBRE in January 2015. The CBRE report estimated the average industrial lease rate in San Francisco at $25.20 per square foot per year. As shown in Table 1 above, the negotiated lease rate for 450 Toland Street is $15.91 per square foot or $9.29 per square foot lower than the average industrial lease rate of $25.20.

Fair Market Value for 555 Selby Street and 1975 Galvez Avenue Acquisitions

The Real Estate Division did not conduct new appraisals of 555 Selby Street and 1975 Galvez Avenue prior to negotiating the purchase price with the respective property owners. According to Mr. Updike, the Real Estate Division did not conduct new appraisals because the purchase price for each property was comparable to the sales prices of other industrial properties, which ranged from $57 per square foot to $96 per square foot. As noted above the purchase price for 555 Selby Street is $86.55 per square foot and the purchase price for 1975 Galvez is $103.44 per square foot.

According to Mr. Updike, the price per square foot of 1975 Galvez Avenue of $103.44 is reasonable because (1) typically, smaller properties sell for more on a per square foot basis, and (2) the Galvez property has fewer improvements to demolish and a cleaner environmental condition than similar properties in the area, making it more attractive to a buyer looking to redevelop Production Distribution & Repair (PDR) type space, consistent with the zoning for the property.

PUC Payment of Costs

Wastewater Enterprise funds will be used to pay for the 10-year lease at 450 Toland Avenue ($6,900,000)[3] and purchase of 555 Selby Street ($6,300,000) and 1975 Galvez Avenue ($5,000,000), totaling $18,200,000. Funds in the amount of $18,200,000 are in the Wastewater Enterprise's Sewer System Improvement Program budget, previously appropriated by the Board of Supervisors.

POLICY CONSIDERATION

The Central Shops Relocation Project consists of the following actions:

- Purchase of 555 Selby Street and 1975 Galvez Avenue and 10-year lease with two five-years options to extend at 450 Toland Street (subject of the proposed resolution);
- Jurisdictional transfer of 1800 Jerrold Avenue from GSA to PUC (legislation pending before the Board of Supervisors)
- Approval of the project delivery agreement to manage design and construction of the Central Shops facilities (legislation pending before the Board of Supervisors)
- Approval of the memorandum of understanding (MOU) between GSA and PUC, in which PUC commits Wastewater Enterprise funds of $73,700,000 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 (legislation pending before the Board of Supervisors).

Cost of Functional Replacement

According to Mr. Updike, PUC will pay GSA the "functional replacement costs" to relocate the Central Shops from 1800 Jerrold Avenue to the three new locations. Functional replacement involves an administrative settlement payment to mitigate GSA's costs of relocation. The payment from PUC to GSA pays for the total cost of relocating the 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 approximately $73,700,000. Under the proposed MOU (for which legislation is pending before the Board of Supervisors), the PUC will pay GSA $73,700,000 to complete the jurisdictional transfer and relocate the Central Shops.

---

[3] According to Mr. Updike, the $6,900,000 for the 10-year Toland Avenue lease is based on monthly rent of $60,000, less five months' rent abatement for tenant improvements.

PUC Need for 1800 Jerrold Avenue

According to Mr. Updike, the City needs to purchase 555 Selby Street and 1975 Galvez Avenue at this time to relocate the Central Shops operations due to the acquisition of 1800 Jerrold Avenue by the PUC for the Sewer System Improvement Program (SSIP). The PUC needs to occupy 1800 Jerrold Avenue by June 30, 2017 in order to meet the SSIP project timeline. The estimated timeframe to relocate the Central Shops, including closing the purchase of 555 Selby Street and 1975 Galvez Avenue, and designing and constructing the new Central Shop facilities will take approximately 18 months, from approximately January 2016 to June 2017.

However, because the Real Estate Division did not obtain new appraisals of the fair market value of 555 Selby Street and 1975 Galvez Avenue, and because the purchase price of $103.44 per square foot for 1975 Galvez Avenue is higher than the price of comparable properties, ranging from $57 per square foot to $96 per square foot, the Budget and Legislative Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors.

RECOMMENDATION

Approval of the proposed resolution is a policy matter for the Board of Supervisors because the Real Estate Division did not obtain new appraisals of the fair market value of 555 Selby Street and 1975 Galvez Avenue, and because the purchase price of $103.44 per square foot for 1975 Galvez Avenue is higher than the price of comparable properties, ranging from $57 per square foot to $96 per square foot.

Item 22 **File No. 15-1232**	**Department:** Municipal Transportation Agency (MTA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would: (1) approve a cooperative agreement between the SFMTA and the State of California (Caltrans) regarding construction support and funding of the Van Ness Transit Improvement Project, and (2) make findings under the California Environmental Quality Act.

Key Points

- The Van Ness Transit Improvement Project (Van Ness Project) will provide a Bus Rapid Transit (BRT) system along Van Ness Avenue (U.S. Route 101) between Union Street and Market Street.
- In San Francisco, U.S. 101 overlaps with the portion of Van Ness Avenue that will receive improvements under the Van Ness Transit Improvement Project. Therefore, the right-of-way for this project is governed by Caltrans. The proposed cooperative agreement would legally establish the roles and responsibilities of the San Francisco Municipal Transportation Agency (SFMTA) and Caltrans for this project.
- Under the agreement, Caltrans will contribute a not to exceed amount of $7,300,000 for Van Ness Avenue pavement rehabilitation and curb-ramp upgrade work.

Fiscal Impact

- The total project cost for the Van Ness Transit Improvement Project is $258,762,490, which will be funded through a combination of federal, state and local funding sources.
- The $7,300,000 in State funding from Caltrans is restricted to uses on the Van Ness Ave/ U.S. 101 right-of-way pavement rehabilitation and curb-ramp upgrade work, and will not be used for the BRT portion of the Van Ness Transit Improvement Project.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

The Van Ness Transit Improvement Project (Van Ness Project) will provide a Bus Rapid Transit (BRT) system along Van Ness Avenue (U.S. Route 101) between Union Street and Market Street. The project will convert one existing northbound traffic lane and one existing southbound traffic lane on Van Ness Avenue into dedicated BRT lanes for the 47 and 49 Muni routes and Golden Gate Transit buses that are physically separated from mixed traffic lanes in order to improve transit service and reduce traffic congestion on Van Ness Avenue.

In addition to construction of the BRT lanes, the project will include:

- Enhanced traffic signals that hold green lights for buses
- Safety improvements for pedestrians such as: shortening crosswalk distances, zebra-striped crosswalks, and boarding islands located at key transfer points.
- Utility maintenance to aging infrastructure including: replacing portions of the water main, sewer system, and emergency firefighter water system
- New street lights along the length of Van Ness Avenue
- New landscaping along Van Ness Avenue
- Repaving of this portion of Van Ness Avenue
- Replacing overhead wiring system for buses

Caltrans Jurisdiction of Van Ness Avenue/U.S. Route 101

U.S. Route 101 is a State highway, and under the jurisdiction of the California Department of Transportation (Caltrans). In San Francisco, U.S. 101 overlaps with the portion of Van Ness Avenue that will receive improvements under the Van Ness Transit Improvement Project. Therefore, the right-of-way for this project is governed by Caltrans. The proposed cooperative agreement would legally establish the roles and responsibilities of the San Francisco Municipal Transportation Agency (SFMTA) and Caltrans for this project.

Design Phase Cooperative Agreement

SFMTA and Caltrans entered into a similarly structured cooperative agreement to the proposed agreement during the design phase (Cooperative Agreement No. 04-2450, executed November 9, 2012). According to Mr. Peter Gabancho, Project Manager for the Van Ness Project, the previous agreement is similar in structure to the proposed agreement, which establishes that Caltrans governs the right-of-way, and SFMTA is carrying out a project within Caltrans' jurisdiction, with their permission.

Project Timeline

The project expects to complete the design phase by the end of 2015 and begin construction in 2016. Bus rapid transit service on Van Ness Avenue is expected to begin in 2019.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would: (1) approve a cooperative agreement between the SFMTA and the State of California (Caltrans) regarding construction support and funding of the Van Ness Transit Improvement Project, and (2) make findings under the California Environmental Quality Act.

The proposed cooperative agreement would govern the roles and responsibilities of SFMTA and Caltrans throughout the construction phase of the Van Ness Transit Improvement Project. Key components set forth in the cooperative agreement include:

- Caltrans will contribute a not to exceed amount of $7,300,000 for Van Ness Avenue pavement rehabilitation and curb-ramp upgrade work
- Caltrans will provide independent quality assurance
- Caltrans will provide construction support, including review of change orders affecting its work
- SFMTA will provide a Quality Management Plan for Caltrans' review and approval
- Sponsorship percentages of total project costs
- Funding details, documentation and reporting; invoice and payment procedures
- Requirements for securing environmental permits
- Requirements of Caltrans to issue an encroachment permit
- Other miscellaneous construction requirements, including disposal of hazardous materials
- Unlimited indemnification of Caltrans for anything done, or omitted to be done, by the SFMTA and/or its contractors or agents

Execution of the proposed cooperative agreement is a prerequisite for Caltrans issuing an encroachment permit for the project, as well as a condition of the Federal Transit Administration (FTA) to provide Small Starts grant funding.

Environmental Findings

The SFMTA Board of Directors adopted the Van Ness BRT Project Final Environmental Impact Study/Environmental Impact Report (Final EIS/EIR), California Environmental Quality Act (CEQA) Findings and Statement of Overriding Considerations for the Final EIS/EIR on September 17, 2013.

The proposed resolution would find that entering into a cooperative agreement with Caltrans is within the scope of the Final EIR, and that there have been no substantial project changes or new information that would change the conclusions in the Final EIR, concluding that no additional environmental review is needed.

Construction Manager/General Contractor Contract

SFMTA plans to use a Construction Manager/General Contractor project delivery method for the Van Ness Project. The Board of Supervisors approved an ordinance in December 2014 (File 14-1148) that modified the requirements of Administrative Code Section 6.68[1] for the Van Ness Project, which authorized SFMTA to:

a. Issue a Request for Proposals (RFP) to select a construction manager/general contractor without first pre-qualifying potential construction managers/general contractors and that includes the team of core trade subcontractors;

b. Evaluate selection of the construction manager/general contractor on non-cost criteria; and

c. Negotiate a guaranteed maximum price with the selected construction manager/general contractor when the design is sufficiently complete, provided that the general maximum price is fair and reasonable.

SFMTA awarded the construction manager/general contractor agreement to Walsh Construction following a competitive RFP process in an amount not to exceed $800,000 for preconstruction services.

SFMTA will negotiate an amendment to the current agreement with Walsh Construction for construction services, including a guaranteed maximum price. Walsh Construction is expected to submit a cost proposal by December 5, 2015, and negotiations are expected to begin before the end of the year.

If SFMTA does not reach an agreement with Walsh Construction, SFMTA will issue an invitation for bids and award an agreement based on the lowest responsive and responsible bid and in accordance with File 14-1148.

FISCAL IMPACT

The total project cost for the Van Ness Transit Improvement Project is $258,762,490, as shown in Table 1 below.

Table 1: Van Ness Transit Improvement Project, Uses of Funds

Project Phase	Amount
Environmental	$5,973,081
Conceptual Engineering	$7,628,265
Design	$11,861,266
Construction	$233,299,878
Total Project Cost	**$258,762,490**

[1] Administrative Code Section 6.68 (1) requires City departments to prequalify construction manager/general contractors prior to selecting the construction manager/general contractor; (2) requires validation of subcontractor costs through independent cost estimates; and (3) authorizes direct negotiations between the construction manager/general contractor and the subcontractors for up to 7.5% of total construction costs.

$233,299,878 in construction costs, which are covered in the proposed cooperative agreement, will be funded through a combination of federal, state and local funding sources, as shown in Table 2 below.

Table 2: Van Ness Transit Improvement Project, Construction Phase Funding Sources

Federal Funds	**Amount**
FTA Small Starts	$61,597,734
FTA State of Good Repair	$23,535,440
FTA Congestion Mitigation and Air Quality	$16,000,000
Subtotal	**$101,133,174**
State Funds	
Caltrans Funds	$7,300,000
Subtotal	**$7,300,000**
Local Funds	
Proposition K	$36,326,984
SFMTA Revenue Bonds	$26,347,524
California Pacific Medical Center Contribution	$5,000,000
Central Freeway Parcel Revenues	$12,654,136
AB 644	$167,860
SFPUC Funds	$44,370,200
Subtotal	**$124,866,704**
Total	**$233,299,878**

To date, SFMTA and SFPUC have spent or encumbered $21,848,571 on soft costs, engineering and design, leaving a remaining available balance of $236,913,919 in the overall Van Ness Transit Improvement Project budget.

Caltrans Funding Restriction

The $7,300,000 in State funding from Caltrans is restricted to uses on the Van Ness Ave/ U.S. 101 right-of-way pavement rehabilitation and curb-ramp upgrade work, and will not be used for the BRT portion of the Van Ness Transit Improvement Project.

RECOMMENDATION

Approve the proposed resolution.

Item 23 **File 15-1236**	**Department:** Municipal Transportation Agency (MTA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the second amendment to the contract between MTA and New Flyer to exercise all four remaining one-year options to extend the contract through December 2020 in order to expedite the purchase of 152 standard buses and 113 articulated buses, totaling 265 additional buses. The second amendment to the contract would increase the total not-to-exceed amount by $244,630,752 from $167,639,669 to $412,270,421.

Key Points

- MTA currently operates 372 buses that are 40-feet long (standard) and 159 buses that are 60-feet long (articulated) for a total of 531 buses that were purchased at various times and from various vendors.
- In December 2014, the Board of Supervisors approved the original contract between MTA and New Flyer of America, Inc. to purchase 61 articulated buses during an initial term of one year with 5 one-year options to extend through December 2020.
- In June 2015, the Board of Supervisors approved the first amendment to the contract to purchase an additional 48 standard buses (40-Feet) and 50 articulated buses, totaling 98 buses. The first second amendment expanded the New Flyer bus fleet under this contract to a total of 159 buses.

Fiscal Impact

- Actual expenditures through December 2015 are $151,981,423 for 159 buses, including 48 standard buses and 111 articulated buses. The remaining $15,658,246 of the $167,639,669 existing total not-to-exceed amount has been allocated for parts, trainings, and tools for the 159 buses.
- The proposed second amendment to the contract between MTA and New Flyer would increase the total not-to-exceed amount by $244,630,752 from $167,639,669 to $412,270,421 to purchase the 265 new buses.
- MTA will also incur expenditures of $39,483,073 for associated costs such as sales tax, warranty support, project and departmental support, consultants, and vehicle inspections, for a total project cost of $284,113,825.
- MTA has yet to identify $121,290,860 of the total funded needed for this 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

The San Francisco Municipal Transportation Agency (MTA) currently operates 372 buses that are 40-feet long (standard) and 159 buses that are 60-feet long (articulated) for a total of 531 buses that were purchased at various times and from various vendors as shown in Table 1 below.

Table 1. Current MTA Bus Fleet

Manufacturer	Bus Length	Number of buses	Year Began Service	End of Useful Life Year
Standard Buses				
Neoplan	40-Feet	204	2000 - 2003	2012 - 2015
Orion	40-Feet	56	2007	2019
New Flyer	40-Feet	112	2013 - 2014	2025 - 2026
Subtotal Standard Buses		**372**		
Articulated Buses				
Neoplan	60-Feet	121	2000 - 2002	2012 - 2014
New Flyer	60-Feet	38	2015	2027
Subtotal Articulated Buses		**159**		
Total Bus Fleet		**531**		

Source: San Francisco Municipal Transportation Agency staff.

In December 2014, the Board of Supervisors approved the original contract between MTA and New Flyer of America, Inc. (New Flyer) after completing a competitive Request for Proposals (RFP) process. The original contract was for one year with 5 one-year options to extend through December 2020. The original contract provided for the purchase of 61 articulated buses (60-Feet) for a total not-to-exceed amount of $68,257,536.

The contract included the purchase of 363 additional standard and articulated buses through the five extensions, totaling 424 buses (File 14-1224).

In June 2015, the Board of Supervisors approved the first amendment to the New Flyer contract for MTA to (i) modify the propulsion system of six of the 61 previously approved articulated buses to series propulsion systems rather than parallel propulsion systems, and (ii) to exercise the first option to extend the contract and purchase an additional 48 standard buses (40-Feet) and 50 articulated buses, totaling 98 buses (File 15-0472).[1] The first amendment increased the contract amount by $99,382,133, from $68,257,536 to $167,639,669.

Table 2 below shows the current authorization schedule for MTA bus purchases from New Flyer.

Table 2. Current Authorization Schedule for MTA Bus Purchases through New Flyer Contract

	Standard Buses (40-foot)	Articulated Buses (60-foot)	Total	Delivery Status
Existing Contract Terms				
Base Amount	-	61	61	37 delivered
2015 Extension Option	48	50	98	1 delivered
Subtotal	**48**	**111**	**159**	**38 delivered**
Remaining Extension Options				
2016 Option	41	48	89	TBD
2017 Option	30	-	30	TBD
2018 Option	36	35	71	TBD
2019 Option (through December 2020)	45	30	75	TBD
Subtotal	**152**	**113**	**265**	
Total	**200**	**224**	**424**	

Source: San Francisco Municipal Transportation Agency staff.

According to the MTA Transit Fleet Management Plan from March 2014, MTA plans to replace older model buses and expand the existing bus fleet to address increasing ridership. By the end of calendar year 2020, MTA plans to have procured 424 new or replacement standard and articulated buses through the New Flyer contract.

As shown in Table 1 above, a total of 325 buses will have reached the end of their useful life by the end of 2015, including 204 standard buses and 121 articulated buses. MTA would like to expedite the delivery of new buses to more efficiently meet ridership demands currently served by buses that have exceeded their useful lives.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the second amendment to the contract between MTA and New Flyer to exercise all four remaining one-year options through December 30, 2020 in order to expedite the purchase of 152 standard buses and 113 articulated buses, totaling 265 additional buses (see Table 2 above). The second amendment to the contract would increase the total not-to-exceed amount by $244,630,752 from $167,639,669 to $412,270,421.

[1] MTA modified the propulsion systems of the original 61 buses to test whether articulated buses with series propulsion systems were more fuel efficient than those with parallel propulsion systems. For standard buses, propulsion systems were found to be more fuel efficient.

Six to Eight Month Delivery Time for New Bus Purchases

According to Mr. Gary Chang, MTA Project Manager, only 38 of the 159 buses in Table 2 above ordered by MTA have been delivered. There is a six to eight-month delivery time for new bus purchases.[2]

Under the original schedule, MTA would not receive all new buses until the third or fourth quarter of 2019. The proposed resolution would expedite the delivery of the 265 new buses shown in Table 2 above to the first quarter of 2018, over a year earlier than the current schedule.

New Buses are More Cost-Effective and Reliable

Mr. Chang reports that the new buses are more fuel efficient with higher miles per gallon (mpg) than the older bus models, which should lead to cost savings for the City. The new buses are also more reliable as measured by the higher average distance between failures as compared to the older bus models.

FISCAL IMPACT

As shown in Table 3 below, the Board of Supervisors has previously authorized the purchase of 159 buses from New Flyer, including 61 buses under the initial contract and 98 buses under the first amendment at a total not-to-exceed amount of $1,637,639,669. Actual expenditures through December 2015 are $151,981,423 for 159 vehicles, including 48 standard buses and 111 articulated buses.

[2] Mr. Chan explained that New Flyer requires approximately six months to gather materials for the bus and another six to eight weeks to build and deliver the new buses.

Table 3. Actual and Projected Expenditures for New Flyer Contract

Item Description	**Quantity**	**Per Unit Price**	**Total Expenses**
Standard Buses (40-Feet)			
Series Propulsion Systems	24	$730,024	$17,520,576
Parallel Propulsion Systems	24	788,771	18,930,504
Subtotal, Actual Expenditures for Standard Buses	48		36,451,080
Articulated Buses (60-Feet)			
Series Propulsion Systems	6	$1,024,838	$6,149,028
Series Propulsion Systems	25	1,033,665	25,841,625
Parallel Propulsion Systems	25	1,050,413	26,260,325
Parallel Propulsion Systems	55	1,041,443	57,279,365
Subtotal, Actual Expenditures for Articulated Buses	111		$115,530,343
Total Actual Expenditures	**159**		**$151,981,423**
Projected Expenditures for Parts, Training, Tools			$15,658,246
Total			**$167,639,669**

Source: Municipal Transportation Agency staff.

As the MTA has only received 38 of the 159 buses authorized under the existing contract with New Flyer, the MTA has not yet incurred any expenses for parts, training, and tools for the new buses, leaving allocated but unexpended funds of approximately $15,658,246, as shown in Table 3 above.

The proposed second amendment to the contract between MTA and New Flyer would increase the total not-to-exceed amount by $244,630,752 from $167,639,669 to $412,270,421 to purchase the 265 new buses, including 152 standard buses and 113 articulated at an increased cost of $244,630,752. Table 4 below shows total expenditures of $412,270,421 for 265 new buses being requested under the proposed resolution and 159 buses previously authorized, Such costs include $15,658,246 previously budgeted for parts, trainings, and tools for the original 159 buses.

Table 4. Total Projected Expenditures for New Flyer Contract

Fiscal Year	Number of Standard Buses (40 Feet)	Expenses for Standard Buses	Number of Articulated Buses (60 Feet)	Expenses for Articulated Buses	Total Expenses
Expenditures under Contract Amendment 2 (subject of this resolution)					
FY 2015-16	0	$0	1	$1,055,350	$1,055,350
FY 2016-17	118	97,331,515	76	80,206,609	177,538,124
FY 2017-18	34	28,044,674	36	37,992,604	66,037,278
Subtotal	**152**	**$125,376,189**	**113**	**$119,254,563**	**$244,630,752**
Prior Actual ad Projected Expenditures under Original Contract and Contract Amendment 1 (Table 3)					
Buses	48	$36,451,080	111	$115,530,343	$151,981,423
Parts, Trainings and Tools					$15,658,246
Subtotal	**48**		**111**		**$167,369,669**
Grand Total					**$412,270,421**

Source: Municipal Transportation Agency staff.

According to Mr. Chang, the projected expenditures do not include a budget for additional parts, trainings, and tools as the parts, tools and training previously ordered would provide sufficient inventory for the expanding bus fleet. Any additional parts, tools, or training would be financed through the MTA operating and maintenance budget.

In addition to the $244,630,752 to purchase new buses, SFMTA will incur expenditures of $39,483,073 for associated costs such as sales tax, warranty support, project and departmental support, consultants, and vehicle inspections, totaling $284,113,825. Table 5 below shows the total projected associated costs.

Table 5. Associated Cost Items for New Flyer Contract

Item Description	Total Expenses
Proposed Second Amendment Costs	
Tax (8.75 percent)	$21,405,191
Warranty Support	1,349,504
Project Support (MTA staff, Other Direct Costs)	14,266,798
Consultant Support and Vehicle Inspection at Plant	2,461,580
Subtotal	**$39,483,073**

Source: Municipal Transportation Agency staff.244630752

Of the $284,113,825 in expenditures for 265 new buses and associated costs, MTA has identified $162,822,965 in available funding, as shown in Table 6 below. MTA has yet to identify $121,290,860 in additional funding needed, as shown in Table 6 below. The associated costs of $39,483,073 are not a part of the proposed resolution.

Table 6. Funding Sources

Funding Source	Amount
Committed Funds	
Proposition K Sales Tax	$63,784,871
Transit Capital Priorities through MTC FY 2015-16	45,918,530
Subtotal	**$109,703,401**
Potential Future Programming Funds	
Transit Capital Priorities through MTC FY 2016-17	$49,518,524
Transit Capital Priorities through MTC FY 2017-18	3,601,040
Subtotal[3]	**$53,119,564**
Total Committed Funds and Potential MTC Funds	**$162,822,965**
Remaining amount to be identified	$121,290,860
Grand Total	**$284,113,825**

Source: Municipal Transportation Authority staff.

RECOMMENDATION

Approve the proposed resolution.

[3] The $53.1 million subject to future programming will require approval from the MTC for inclusion in the FY 2016-17 and FY 2017-18 Transportation Improvement Program (TIP), which is a federal requirement.

Item 24 **File 15-1183**	**Department:** Office of Community Investment and Infrastructure (OCII)

EXECUTIVE SUMMARY

Legislative Objectives

The proposed resolution would (a) amend Office of Community Investment and Infrastructure (OCII) FY 2015-16 budget to increase the budget by $135 million in bond proceeds; (b) authorize $135 million in bond proceeds expenditures; and (c) approve the issuance of bonds in an additional principal amount not to exceed $135 million to finance the enforceable obligations in the Mission Bay South Project Area. Under California Community Redevelopment Law the Board of Supervisors approves OCII's budget and authorizes OCII to issue debt.

Key Points

- Under the Mission Bay North and South Owner Participation Agreements (OPA) between OCII, and the master developer (FOCIL-MB, LLC), the master developer is to construct public infrastructure and be reimbursed by OCII for the costs. OCII proposes selling two new bond series for the Mission Bay South Project Area, Series 2015C and 2015D, with an aggregate principal amount not to exceed $135 million to fund OCII's reimbursements to FOCIL.
- Existing property tax increment generated by the Mission Bay South Project Area will be used to pay debt service on the Series 2015C bonds. These bonds are considered "parity" bonds in that OCII's obligation to pay debt service on these bonds is equal to the obligation to pay debt service on other outstanding bonds.

Fiscal Impact

- FOCIL has already incurred $61,168,298 in expenses for public infrastructure and is projected to incur $69,851,352 in expenses for infrastructure in the next one to eighteen months, totaling $131,019,650.
- Total estimated debt service over the 30-year term of the Series 2015C bonds is estimated to be $79,183,882, which includes $45,000,000 in principal and $34,183,882 in interest.
- Total estimated debt service over the 30-year term of the Series 2015D bonds is estimated to be $161,343,626, which includes $90,000,000 in principal and $71,343,626 in interest.
- Series 2015D bonds are "subordinate bonds". The new development in the Mission Bay South Project Area that will generate the property tax increment to be used to pay debt service on the Series 2015D Bonds has not yet been fully enrolled by the Assessor in the property tax rolls. As subordinate bonds, the debt service on the Series 2015D bonds will only be paid after debt service on the parity bonds has been paid. Therefore, these are considered higher risk bonds than the Series 2015C Bonds

Policy Consideration

- According to Ms. Mawhorter, OCII plans to sell the Series 2015D bonds in FY 2015-16, before construction of the Mission Bay South developments has been completed and before the new developments are fully enrolled by the Assessor in the property tax rolls, because OCII is obligated to reimburse FOCIL in FY 2015-16 and FY 2016-17 for FOCIL's expenses to construct new public infrastructure.
- According to Ms. Mawhorter, of the $90,000,000 in Series 2015D bonds, 33% of the estimated bond amount would be secured by tax increment from properties that are completed but not fully enrolled. Given the status of development and the quality of the San Francisco real estate credit, some opportunity may exist for alternate financing structures or timing that would be less costly than the planned subordinate private placement debt.

Recommendations

- Amend the proposed resolution to request the OCII Executive Director to explore alternative financing or timing structures to the planned subordinate private placement.
- Amend the proposed resolution to request the OCII Executive Director to refund all outstanding Series 2015D bonds as the new Mission Bay South Project Area development is enrolled.
- Amend the proposed resolution to request the OCII Executive Director to provide an update on the status of the Series 2015C and Series 2015D during the annual budget review.
- Approve the proposed resolution as amended.

MANDATE STATEMENT

The Successor Agency to the Redevelopment Agency of the City and County of San Francisco, the Office of Community Investment and Infrastructure (OCII) is a separate legal entity from the City and County of San Francisco and is responsible for implementing the enforceable obligations and surviving redevelopment projects of the former Redevelopment Agency, in accordance with California Community Redevelopment Law (Cal. Health & Safety Code §§ 33000 et seq., as amended by the Redevelopment Dissolution Law, Cal. Health & Safety Code §§ 34170 et seq.) and Ordinance No. 215-12, approved by the Board of Supervisors on October 4, 2012. In accordance with State law, the Board of Supervisors has authority over OCII's annual budget.

BACKGROUND

Specific enforceable obligations were previously established under the Mission Bay North and South Owner Participation Agreements (OPA) between the former San Francisco Redevelopment Agency, now the Office of Community Investment and Infrastructure (OCII), and FOCIL-MB, LLC (FOCIL), the master developer. Under the OPA, FOCIL is to construct public infrastructure and be reimbursed by OCII for the costs of public infrastructure construction.

OCII proposes to issue bonds and use bond proceeds to reimburse FOCIL for their expense of constructing public infrastructure in the Mission Bay South Project Area. Debt service on these bonds will be paid by property tax increment[1] generated by development in the Mission Bay South Project Area.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (a) amend OCII's FY 2015-16 budget to increase the budget by $135 million in bond proceeds; (b) authorize $135 million in bond proceeds expenditures; and (c) approve the issuance of bonds in an additional principal amount not to exceed $135 million to finance the enforceable obligations in the Mission Bay South Project Area.

Under California Community Redevelopment Law the Board of Supervisors approves OCII's budget and authorizes OCII to issue debt.

Series 2015C and 2015D Bonds

OCII proposes selling two new bond series for Mission Bay South Project Area, Series 2015C and 2015D, with an aggregate principal amount not to exceed $135 million. These bonds would fund OCII's reimbursements to FOCIL for public infrastructure improvements in the Mission Bay South Project Area. OCII proposes selling these bonds in two series:

(1) Series 2015 C, Tax Allocation Revenue Bonds, Mission Bay South in aggregate principal amounts not to exceed $45 million and

[1] Under California Community Redevelopment Law, incremental property tax ("tax increment") that results from development in the redevelopment project area can be allocated to finance economic development, including public improvements.

(2) Series 2015D, Subordinate Tax Allocation Revenue Bonds, Mission Bay South in aggregate principal amounts not to exceed $90 million.

Series 2015C Bonds

Existing property tax increment generated by the Mission Bay South Project Area will be used to pay debt service on the Series 2015C bonds. These bonds are considered "parity" bonds in that OCII's obligation to pay debt service on these bonds is equal to the obligation to pay debt service on other outstanding bonds.[2]

Series 2015D Bonds

Series 2015D bonds are "subordinate bonds". The new development in the Mission Bay South Project Area that will generate the property tax increment to be used to pay debt service on the Series 2015D Bonds has not yet been fully enrolled by the Assessor in the property tax rolls. The new development in the Mission Bay South Project Area that will generate the property tax increment is currently in the pipeline (completed but not yet fully enrolled by the Assessor in the property tax rolls, under construction, or planned). As subordinate bonds, the debt service on the Series 2015D bonds will only be paid after debt service on the parity bonds has been paid. Therefore, these are considered higher risk bonds than the Series 2015C Bonds.

Proposed Series 2015C and Series 2015D Bond Sales

The Series 2015C bonds will be sold competitively on the open market. The Series 2015D bonds will be sold as a competitively bid private placement open to all institutional investors, including pension funds (such as CalPERS), banks, insurance companies, or mutual funds. If insufficient bids from institutional investors are received, the project developer, FOCIL, would purchase the bonds as the buyer of last resort.

FISCAL IMPACT

FOCIL has already incurred $61,168,298 in expenses for public infrastructure and is projected to incur $69,851,352 in expenses for infrastructure in the next one to eighteen months, totaling $131,019,650, as shown in Table 1 below. Under the Mission Bay North and South Project Area OPA, OCII will reimburse FOCIL for these expenses, using bond proceeds.

[2] In order to issue parity bonds, the available tax increment from the existing tax rolls must cover 125 percent of the debt service on all outstanding bonds plus the new 2015C bonds.

Table 1: Public Infrastructure Expenses

Mission Bay South Public Infrastructure	Expenditures Already Incurred	Projected Expenditures	Total
Streets and Utilities	$40,925,035	$28,776,144	$69,701,179
Pump Stations	7,530,455	7,336,808	14,867,263
Parks	4,939,302	13,320,001	18,259,303
Public Safety Building	6,238,024	0	6,238,024
Insurance, Interest and Financing, Project Administration, Other	1,535,482	20,418,399	21,953,881
Total	**$61,168,298**	**$69,851,352**	**$131,019,650**

Source: OCII

Under the Mission Bay North and South Project Area OPA, OCII is required to reimburse FOCIL for FOCIL's expenses to construct public infrastructure at FOCIL's request. According to Ms. Bree Mawhorter, OCII Deputy Director for Finance and Administration, OCII will reimburse FOCIL up to $57,222,233 in FY 2015-16, depending on the pace of development, and up to $73,797,417 in FY 2016-17, depending on the pace of development for a total of $131,019,650 over the next two fiscal years.

Series 2015C Bonds

OCII expects to sell $45,000,000 in Series 2015C bonds through a competitive process in Spring 2016. According to Ms. Mawhorter, OCII expects to sell the bonds at a fixed interest rate. Net bond proceeds are estimated to be $43,670,000, as shown in Table 2 below.

Table 2: Sale of Series 2015 C Bonds

Par Amount	$45,000,000
Surety Policy and Insurance Premium	$870,000
Underwriter Discount	260,000
Other Costs of Issuance	200,000
Net Bond Proceeds	**$43,670,000**

According to Ms. Mawhorter, annual debt service is estimated to be approximately $2,639,463 at an estimated interest rate of 4.53 percent. Total estimated debt service over the 30-year term of the Series 2015C bonds is estimated to be $79,183,882, which includes $45,000,000 in principal and $34,183,882 in interest. Final results will depend upon market conditions at the time of sale.

Series 2015D Bonds

OCII expects to sell $90,000,000 in Series 2016D bonds through a competitively bid private placement in Spring 2016. According to Ms. Mawhorter, OCII expects to sell the bonds at a fixed interest rate. Net bond proceeds are estimated to be $87,410,000, as shown in Table 3 below.

Table 3: Sale of Series 2015 D Bonds

Par Amount	$90,000,000
Surety Policy and Insurance Premium	$1,760,000
Underwriter Discount	530,000
Other Costs of Issuance	300,000
Net Bond Proceeds	**$87,410,000**

According to Ms. Mawhorter, annual debt service is estimated to be $5,378,121 at an estimated interest rate of 5.0 percent. Total estimated debt service over the 30-year term of the Series 2015D bonds is estimated to be $161,343,626, which includes $90,000,000 in principal and $71,343,626 in interest. Final results will depend upon market conditions at the time of sale.

POLICY CONSIDERATION

According to Ms. Mawhorter, OCII plans to sell the Series 2015D bonds in FY 2015-16, before construction of the Mission Bay South developments has been completed and before the new developments are fully enrolled by the Assessor in the property tax rolls, because OCII is obligated to reimburse FOCIL in FY 2015-16 and FY 2016-17 for FOCIL's expenses to construct new public infrastructure. As noted above, because the new developments that will generate the property tax increment that will be used to pay debt service on the Series 2015D bonds have not yet been completed or fully enrolled by the Assessor in the property tax rolls, OCII will sell the Series 2015D bonds as subordinate bonds. Because these bonds are subordinate debt, and debt service will be paid to the bond purchasers only after debt service has been paid on OCII's parity bonds, these bonds carry a higher interest rate and will result in higher debt service costs to OCII.

According to Ms. Mawhorter, of the $90,000,000 in Series 2015D bonds, 33% of the estimated bond amount would be secured by tax increment from properties that are completed but not fully enrolled. Given the status of development and the quality of the San Francisco real estate credit, some opportunity may exist for alternate financing structures or timing that would be less costly than the planned subordinate private placement debt.

Table 4: Estimated Principal Bond Amount Based on Properties Newly Developed or Under Development in Mission Bay South Project Area

Status of Development	Estimated Principal Bond Amount	Percent
Completed Properties and Enrolled	$28,336,950	30%
Completed but Not Fully Enrolled	2,603,300	3%
Construction Nearly Completed	42,249,543	45%
Construction Started	20,188,323	22%
Total	**$93,378,116**	**100%**

Source: OCII

Because there may be alternative financing or timing structures that would be less costly than a subordinate private placement, the Board of Supervisors should request the OCII Executive Director to explore alternative financing or timing structures.

Also, once the new Mission Bay South Project Area development has been enrolled by the Assessor in the property tax rolls, the property tax increment will be fully available to pay debt service on the Series 2015D bonds. Therefore, the Board of Supervisors should request the OCII Executive Director to refund all outstanding Series 2015D bonds as the new Mission Bay South Project Area development is enrolled.

The Board of Supervisors should also request an annual update on the status of the Series 2015C and Series 2015D during the annual budget review.

RECOMMENDATIONS

1. Amend the proposed resolution to request the OCII Executive Director to explore alternative financing or timing structures to the planned subordinate private placement.
2. Amend the proposed resolution to request the OCII Executive Director to refund all outstanding Series 2015D bonds as the new Mission Bay South Project Area development is enrolled.
3. Amend the proposed resolution to request the OCII Executive Director to provide an update on the status of the Series 2015C and Series 2015D during the annual budget review.
4. Approve the proposed resolution as amended.