CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: December 13, 2017 Special Budget and Finance Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

The proposed ordinance authorizes the SFPUC General Manager to (1) enter into contracts of $10,000,000 or more using standardized power contracts; (2) enter into an agreement for credit and liquidity support with JPMorgan; and (3) waive standard contracting provisions required by the City's municipal codes, without further Board of Supervisors approval.

Key Points

- Through Community Choice Aggregation (CCA) programs, local governments are allowed by state law to supply electricity to serve the needs of customers within their jurisdictions while the existing private utility (PG&E in San Francisco) continues to provide various services including billing, transmission, and distribution.
- San Francisco's CCA program ("CleanPowerSF") launched in 2016 and currently serves about 80,000 customer accounts with either (1) default Green service with 40 percent renewable energy content; or (2) optional premium SuperGreen service with 100 percent renewable energy content. The next major auto-enrollment phase in July 2018 would add approximately 150,000 customers. The final phase for full-scale citywide enrollment would occur by July 2019 and would involve approximately 125,000 additional customers, for a total of approximately 350,000 customer accounts.
- To purchase electricity products to supply the program expansion, SFPUC issued two Requests for Offers (RFO) in June 2017 and September 2017. To ensure it had adequate credit support for these purchases and other program requirements, SFPUC also issued a Request for Proposals (RFP) for a bank credit facility in July 2017.

Fiscal Impact

- The revenues, expenses, assets and liabilities of CleanPowerSF are separate from the rest of the Power Enterprise and SFPUC. CleanPowerSF program revenues and costs are estimated to increase from $33.7 million in FY 2016-17 to $266.0 million in FY 2022-23.
- The total cost of the power supply contracts authorized under the proposed ordinance, with terms from 1 to 25 years, will not exceed $175 million per year, based on SFPUC's estimate of the maximum amount required to be contracted to support citywide enrollment in the CleanPowerSF program

Policy Consideration

- According to officials at Marin Clean Energy and Silicon Valley Clean Energy[1], short-term (one- to two-year) power purchase agreements require a quick turnaround to execute the contracts, sometimes within a few hours of receiving the draft contract from the supplier. Officials note that it is important to maintain the confidentiality of communications with selected bidders who operate in a competitive market with multiple CCAs and large utilities such as PG&E. To facilitate this process, both Marin Clean Energy and Silicon Valley Clean Energy receive prior approval from their governing bodies to (1) allow executive staff to engage in negotiations for agreements over a certain dollar amount, and (2) use pre-approved form contracts. Silicon Valley Clean Energy notes that, although their governing board may grant permission to engage in negotiations for long-term (10- to 20-year) deals, each long-term contract must be approved by their board when negotiations are completed.

Recommendations

1. Amend the proposed ordinance to require the SFPUC to submit annual reports to the Board of Supervisors that include annual program costs, the rates charged by SFPUC to CleanPowerSF customers to recover costs, and comparison of CleanPowerSF rates to PG&E rates.
2. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors because the proposed ordinance waives (1) standard contracting provisions required by the City's municipal codes, and (2) the Board of Supervisors authority under Charter Section 9.118, authorizing the SFPUC to enter into contracts of $10,000,000 or more without further Board of Supervisors approval.

[1] Marin Clean Energy and Silicon Valley Clean Energy are two of the six CCAs within PG&E service territory in California. The other four are CleanPowerSF, Sonoma Clean Power, Peninsula Clean Energy, and Redwood Coast Energy Authority.

MANDATE STATEMENT

Section 9.118(b) of the City's Charter requires approval by the Board of Supervisors for contracts with an expected term longer than ten years or requiring expenditures of $10 million or more.

BACKGROUND

Community Choice Aggregation

State law allows cities and counties to develop Community Choice Aggregation (CCA) programs, through which local governments supply electricity to serve the needs of participating customers within their jurisdictions while the existing private utility (PG&E in San Francisco) continues to provide various services including billing, transmission, and distribution.

State law requires local governments that offer CCA service to serve all residential customers; CCA programs, including San Francisco's CCA program ("CleanPowerSF"), have added customers in phases to mitigate financial and operational risk. According to the May 2017 CleanPowerSF Growth Plan, although 91 percent of electricity accounts in the City are residential, and therefore eligible for CleanPowerSF, residential accounts represent only 31 percent of total citywide energy usage.

Previous CleanPowerSF Legislation

In May 2015, the Board of Supervisors authorized the San Francisco Public Utilities Commission (SFPUC) General Manager to use pro forma agreements to purchase and sell electricity to operate the CleanPowerSF program without further Board of Supervisors approval (File No. 15-0408; Ordinance No. 75-15). In December 2015, the Board of Supervisors authorized the SFPUC General Manager to enter into agreements requiring expenditures of $10 million or more for electric power and related products and services to launch the initial phases of CleanPowerSF (File No. 15-1123; Ordinance No. 223-15).

CleanPowerSF Launch

In December 2015, SFPUC Power Enterprise staff presented a Business Plan for the launch of CleanPowerSF. The 2015 Business Plan laid out the initial schedule for growing CleanPowerSF beyond the Phase I launch of 50 megawatts (MW) of average demand in 2016, with the program growing by 118 to 125 MW blocks of average electricity demand in 2019, 2021, and 2022 until reaching full service of approximately 350,000 customers and approximately 400 MW of average electricity demand in 2022[2], as shown in Table 1 below.

[2] The Business Plan assumed an opt-out rate of 20 percent, which is higher than current expectations.

Table 1: 2015 Business Plan Growth Projections (Average Demand in MW)

Year	Additional Supply (MW)	Cumulative Supply (MW)
2016	50	50
2019	118	168
2021	120	288
2022	125	413

In May 2016, SFPUC launched CleanPowerSF with initial service to about 8,000 customer accounts. In November 2016, SFPUC expanded CleanPowerSF service to about 80,000 customer accounts. During the initial phase, customers located within a certain geographic area were automatically enrolled in the CleanPowerSF program and were given opportunities to opt-out of participating in the program.

CleanPowerSF currently offers two level of supply service: (1) Green, the default service which contains 40 percent renewable energy; and (2) SuperGreen, a premium option selected by about 4 percent of customers which offers 100 percent renewable energy.

CleanPowerSF Growth Plan

In the May 2017 CleanPowerSF Growth Plan, CleanPowerSF staff recommend completing citywide enrollment by the end of FY 2018-19[3], or three years sooner than projected in the 2015 Business Plan. According to Mr. Michael Hyams, Director of CleanPowerSF, the 2015 Business Plan timeline for enrollment was based on a self-funding approach with no access to third-party lines of credit, whereas the 2017 Growth Plan will have credit support through the bank credit facility discussed below.

The next major auto-enrollment phase in July 2018 (Phase II) would add approximately 150,000 customers and accommodate a total average electricity demand of 250 MW. The final phase for full-scale citywide enrollment would occur by July 2019 (Full Scale) and would involve approximately 125,000 additional customers, for a total of approximately 350,000 customer accounts with average electricity demand of approximately 400 MW, as shown in Table 2 below.

Table 2: 2017 Growth Plan Projections (Average Demand in MW)

Year	Additional Supply (MW)	Cumulative Supply (MW)
2016	60	60
2018	190	250
2019	150	400

According to Mr. Hyams, SFPUC will need to execute approximately 8 to 10 contracts for electricity supplies by March 2018 to support the Phase II expansion in July 2018. Enrollment notifications, which include information about renewable energy content and prices, would need to be sent to customers by May 2018.

[3] Exact expansion dates will depend on available power supply and program costs.

To purchase electricity products to supply the program expansion, SFPUC issued two Requests for Offers (RFO) in June 2017 and September 2017. To ensure it had adequate credit support for these purchases and other program requirements, SFPUC also issued a Request for Proposals (RFP) for a bank credit facility in July 2017.

June 2017 Request for Offers

The June 22, 2017 RFO sought bids for energy, environmental attributes, and capacity from new or existing eligible renewable resources, for contracts up to 25 years in duration. SFPUC received more than 300 bids from 32 companies for supplies from 70 projects, 83 percent of which are located in California. Based on the minimum qualifications and criteria specified in the RFO, SFPUC shortlisted two subsets of bidders for further consideration: (1) 14 bidders for projects with initial contract delivery dates in 2018 or 2019; and (2) 10 bidders for projects with initial contract delivery dates in 2020 and 2021.

According to Mr. Hyams, the projects with delivery dates in 2018 or 2019 tend to be existing renewable energy resources and the projects with delivery dates in 2020 or 2021 will be new resources that have not yet been built. Therefore, although the new projects have delivery dates that are a few years in the future, SFPUC needs to enter into commitments in the near term for suppliers to secure the necessary financing to bring the projects online by the delivery date.

September 2017 Request for Offers

The September 12, 2017 RFO sought bids for shaped energy[4], renewable energy, carbon-free energy, and capacity for contracts of up to 3 years in length with start dates as early as 2018 and as late as 2021. Rather than bids for electricity produced by specific projects (as is the case for the June 2017 RFO), bidders provided a portfolio of electricity supply from a variety of sources responsive to the need identified by SFPUC. The RFO excluded bids containing power purchased from coal or nuclear plants. SFPUC received bids from five companies and shortlisted five bidders for further consideration after reviewing bids for minimum qualifications and criteria specified in the RFO.

July 2017 RFP for a Bank Credit Facility

After issuing an RFP for a bank credit facility on July 18, 2017 and evaluating the three responsive bids, SFPUC selected JPMorgan Chase Bank, N.A. (JPMorgan) for further negotiations. SFPUC is currently negotiating a credit agreement in order to (1) enter into fixed price energy contracts with suppliers; (2) potentially refinance the Power Enterprise’s loan to CleanPowerSF; (3) provide working capital to the program (if needed); and (4) replace existing standby letters of credit.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance delegates authority to the SFPUC General Manager to enter into agreements with terms in excess of 10 years or requiring expenditures of $10 million or more,

[4] Shaped energy may include non-renewable sources that are intermittently substituted for wind or solar renewable sources due to the variability in wind and solar resources (i.e., weather, season, time of day).

without further Board of Supervisors approval, for power and related products and services required to supply CleanPowerSF.

Authority Granted to SFPUC General Manager

The proposed ordinance authorizes the SFPUC General Manager to:

1. Use the following standardized power contracts that set forth standard terms and conditions for the purchase and sale of power and related products and services. These contracts deviate from the City's contract forms. The proposed ordinance authorizes modifications[5] to the form agreements so long as such modifications, in the judgment of the General Manager and the City Attorney, do not materially decrease the City's rights or materially increase its liabilities.
    a. Western System Power Pool[6] Agreement, approved by the Federal Energy Regulatory Commission (FERC)
    b. Edison Electric Institute[7] Master Agreement
    c. Pro forma agreements developed by SFPUC for three types of energy supply, combining standard industry terms with City requirements
        i. Renewable Power Purchase Agreement (New Facility)
        ii. Renewable Power Purchase Agreement (Existing Facility)
        iii. Power Purchase and Sale Agreement
2. Enter into an agreement for credit and liquidity support with JPMorgan, or with another entity if negotiations with JPMorgan do not result in an acceptable agreement. The proposed ordinance authorizes (1) waiver of certain City contract-related requirements in the Administrative Code and the Environment Code, and (2) modifications to the standard City agreements so long as such modifications, in the judgment of the General Manage and the City Attorney, do not materially decrease the City's rights or materially increase its liabilities.
3. Waive the following standard contract and City code provisions, upon finding and documenting in writing both that (1) the transaction/agreement represents the best opportunity available to the City to obtain essential services and products in a manner beneficial to the City, and (2) it is not feasible to add all standard City contract provisions to the agreement.
    a. Implementing the MacBride Principles (Administrative Code Chapter 12F)
    b. Increased participation by small and micro local businesses in City contracts (Administrative Code Chapter 14B)
    c. The competitive bidding requirement (Administrative Code Section 21.1)

[5] According to Mr. Hyams, the anticipated modifications to the standard agreements are incorporated in the pro forma agreements on file with the Board of Supervisors (File No. 17-1172).
[6] SFPUC is a member of the Western System Power Pool, which is a group of more than 300 publicly-owned and private utilities.
[7] Edison Electric Institute is the association that represents investor-owned electric companies in the U.S. They developed the master agreement in collaboration with 80 member utilities, power marketers, and customer representatives.

d. First source hiring requirements (Administrative Code Chapter 83)
e. The tropical hardwood and virgin redwood ban (Environment Code Chapter 8)
f. Public access to meeting and records of non-profit organizations (Administrative Code Section 12L)
g. Sweatfree Contracting (Administrative Code Section 12U.4)
h. Food service waste reduction (Environment Code Section 1605)

Conditions on Contract Authority

The proposed ordinance includes the following conditions on contract authority delegated to the SFPUC General Manager:

1. Payment obligation under contracts for CleanPowerSF power supply and bank credit facility to support CleanPowerSF expansion will be payable solely from the revenues of CleanPowerSF;
2. The total cost of the power supply contracts authorized under the proposed ordinance, with terms from 1 to 25 years, will not exceed $175 million per year;
3. The credit agreement will have a maximum term of 6 years and a maximum credit commitment of $150 million;
4. The contracts will be approved by the SFPUC Commission in a public meeting, although the SFPUC Commission may delegate approval authority to the General Manager, subject to conditions specified by the Commission in a public meeting;
5. All conditions established by SFPUC, including but not limited to requirements regarding program rates, program expansion, and electricity portfolio content, will be met.

FISCAL IMPACT

CleanPowerSF's 2015 Business Plan and Business Practice Policies established it as a financially-independent entity within the SFPUC Power Enterprise, with separate ratepayers. As a result, revenues, expenses, assets and liabilities of CleanPowerSF are separate from the rest of the Power Enterprise and SFPUC. The Power Enterprise provided limited financial backing, in the form of an $8 million loan and securitization of letters of credit, to support CleanPowerSF's launch. The expansion of the CleanPowerSF program will use third-party financing without any further financing from the Power Enterprise[8].

CleanPowerSF program revenues and costs are estimated to increase from $33.7 million in FY 2016-17 to $266.0 million in FY 2022-23 as shown in Table 3 below. According to Mr. Hyams, these projections assume that excess revenues will be used to fund reserves until the reserve target is met, which is expected to occur in FY 2021-22, at which time SFPUC will consider options for handling excess revenues, such as reducing rates or purchasing a larger share of locally-produced electricity, which is typically more expensive than non-local sources.

[8] CleanPowerSF will continue its debt service payments to the Power Enterprise on the established payment schedule.

Table 3: CleanPowerSF Projected Sources and Uses of Funds (millions of $)

	FYE 2017 (Actual)	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022
SOURCES						
Green Sales Revenue	$33.5	$37.8	$127.1	$240.3	$251.5	$259.2
SuperGreen Sales Revenue	0.4	0.5	1.8	5.2	6.9	8.1
Uncollectable Revenue	(0.2)	(0.2)	(0.6)	(1.2)	(1.3)	(1.3)
Total Sources	**$33.7**	**$38.0**	**$128.3**	**$244.3**	**$257.1**	**$266.0**
USES						
Energy Supply	$22.6	$27.1	$94.6	$173.6	$179.2	$196.0
Operating Costs	5.7	8.2	17.9	24.4	24.0	24.7
Power Enterprise Loan Repayment	0.8	2.0	2.0	2.0	1.3	0.0
SuperGreen Programs/Projects	0.1	0.1	0.3	0.9	1.1	1.2
Surplus Cash for Reserves	4.5	0.6	13.5	43.4	51.6	44.1
Total Uses	**$33.7**	**$38.0**	**$128.3**	**$244.3**	**$257.1**	**$266.0**
Operating Reserve	$6.8	$7.1	$25.1	$46.1	$45.4	$44.4
Contingency/ Rate Stabilization Reserve	4.8	5.1	0.5	23.0	40.1	41.5

Note: May not add due to rounding error

Not-To-Exceed Contract Authority of $175 Million

The total cost of the power supply contracts authorized under the proposed ordinance, with terms from 1 to 25 years, will not exceed $175 million per year. According to Mr. Hyams, the $175 million per year not-to-exceed amount is the SFPUC's estimate of the maximum amount required to be contracted to support citywide enrollment in the CleanPowerSF program, with a buffer for higher than anticipated prices at the time of contract execution. According to Mr. Hyams, although annual expenditures for energy supply are projected to exceed $175 million by FY 2021-22, CleanPowerSF will "forward contract"[9] with suppliers at a maximum of approximately 85 to 95 percent of future projected demand, which will likely maintain annual contract authority below the $175 million limit. If CleanPowerSF needs to procure more supply than would be provided by forward contracting, and the additional procurement would exceed the $175 million annual contracting limit, those contracts would be subject to Board of Supervisors approval.

[9] Forwarding contracting involves committing to procure future supply equivalent to a portion of projected demand. Forward contract amounts step down as delivery dates extend into the future, and step up as delivery dates approach. For example, as of the date of this report, CleanPowerSF would seek to procure 95 percent of projected demand for 2018, 80 to 85 percent of projected demand for 2019, 70 percent of projected demand for 2020, and 30 to 40 percent of projected demand for the term years beyond 2020.

POLICY CONSIDERATION

Citywide Enrollment Accelerated Since 2015 Business Plan

CleanPowerSF currently has 16 FTE staff and anticipates needing 32 FTE (or 16 additional FTEs) staff for Phase II implementation by July 2018, and a total of 54 FTE staff (or 38 additional FTEs) for Full Scale implementation by July 2019. According to Mr. Hyams, SFPUC has submitted requests to the Department of Human Resources (DHR) and the Mayor's Office to add new Temporary positions for the implementation of Phase II. As of December 5, 2017, SFPUC is waiting for approval from DHR to recruit for and hire the positions. According to Mr. Hyams, to support Phase II enrollment activities and program operations post-enrollment, the new staff would ideally be added between February and May 2018.

As these positions have not yet been approved for hiring, it is uncertain that CleanPowerSF will have sufficient staffing to implement Phase II by the accelerated target date of July 2018.

Waivers of Administrative Code and Environment Code Contract Provisions

The proposed ordinance delegates authority to the SFPUC General Manager to waive certain standard contract and City code provisions, identified above. According to Mr. Michael Hyams, Director of CleanPowerSF, the City's standard contract terms identified in the proposed ordinance are not standard electric industry terms and many energy sellers reject such standard terms or will mark up the cost of the energy to account for what they may consider a non-market condition and liability. In January 2016, the SFPUC General Manager waived these standard contract and City code provisions pursuant to authority granted in Ordinance 75-15 for CleanPowerSF power purchase agreements. According to Mr. Hyams, if the General Manager decides to waive requirements in the Administrative Code or the Environment Code, the waiver will be documented by preparing a memo for the file, which will be a public document.

Delegation of Contracting Authority to SFPUC General Manager

The proposed ordinance delegates the Board of Supervisors' authority to enter into agreements with terms in excess of 10 years or requiring expenditures of $10 million or more to the SFPUC General Manager. Although the contracts will be approved by the SFPUC Commission in a public meeting, the SFPUC Commission may delegate approval authority to the General Manager, subject to conditions specified by the Commission in a public meeting. If the SFPUC Commission delegates its approval authority to the General Manager, the terms of the power purchase agreements may not be visible to the public prior to SFPUC entering into the agreements.

According to Mr. Hyams, SFPUC is seeking the delegated authority for the long-term (greater than 10 years in term) contracts because they are for new projects that require an executed contract in advance of their initial contract delivery dates. These new renewable energy projects secure their financing to build the project after a power purchase agreement is in place with a buyer. In addition, SFPUC feels that it needs to act quickly to secure the best priced renewable energy in a market with limited supply and growing demand from other buyers of renewable energy due to the formation of CCA programs in California. The SFPUC will need to contract with a number of these new projects under long-term contracts to (1) meet the City's renewable energy content goals for the program in 2019 and 2020 and (2) comply with the State Renewable Portfolio Standard regulations, which require that CleanPowerSF receive at least 65 percent of its renewable energy from projects under a contract of at least 10 years[10].

Practices of Other CCAs

According to officials at Marin Clean Energy and Silicon Valley Clean Energy[11], short-term (one- to two-year) power purchase agreements require a quick turnaround to execute the contracts, sometimes within a few hours of receiving the draft contract from the supplier. Officials note that it is important to maintain the confidentiality of communications with selected bidders who operate in a competitive market with multiple CCAs and large utilities such as PG&E. To facilitate this process, both Marin Clean Energy and Silicon Valley Clean Energy receive prior approval from their governing bodies to (1) allow executive staff to engage in negotiations for agreements over a certain dollar amount, and (2) use pre-approved form contracts. Silicon Valley Clean Energy notes that, although their governing board may grant permission to engage in negotiations for long-term (10- to 20-year) deals, each long-term contract must be approved by their board when negotiations are completed.

Annual Reporting to Board of Supervisors

Ordinances 75-15 and 223-15 required the SFPUC to submit annual reports to the Board of Supervisors that include annual program costs, the rates charged by SFPUC to CleanPowerSF customers to recover costs, and comparison of CleanPowerSF rates to PG&E rates. On November 22, 2017, SFPUC submitted the FY 2016-17 report on the CleanPowerSF program pursuant to Ordinance 223-15.

The proposed ordinance does not contain the requirement for SFPUC to submit annual reports to the Board of Supervisors. Therefore, the proposed ordinance should be amended to require the SFPUC to submit annual reports to the Board of Supervisors that include annual program costs, the rates charged by SFPUC to CleanPowerSF customers to recover costs, and comparison of CleanPowerSF rates to PG&E rates.

Summary

Because the proposed ordinance waives (1) standard contracting provisions required by the City's municipal codes, and (2) the Board of Supervisors authority under Charter Section 9.118, authorizing the SFPUC to enter into contracts longer than ten yours or in an amount of $10,000,000 or more without further Board of Supervisors approval, approval of the proposed ordinance is a policy matter for the Board of Supervisors. As noted above, according to interviews with an official at Silicon Valley Clean Energy, each long-term contract (10 to 20 year

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[10] The purpose of this requirement is to ensure that all retail sellers of electricity in California contribute to the development of new renewable energy capacity, which normally requires a long-term agreement to purchase future products from the seller.

[11] Marin Clean Energy and Silicon Valley Clean Energy are two of the six CCAs within PG&E service territory in California. The other four are CleanPowerSF, Sonoma Clean Power, Peninsula Clean Energy, and Redwood Coast Energy Authority.

contracts) entered into by Silicon Valley Clean Energy must be approved by their board when contract negotiations are completed.

RECOMMENDATIONS

1. Amend the proposed ordinance to require the SFPUC to submit annual reports to the Board of Supervisors that include annual program costs, the rates charged by SFPUC to CleanPowerSF customers to recover costs, and comparison of CleanPowerSF rates to PG&E rates.
2. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors because the proposed ordinance waives (1) standard contracting provisions required by the City's municipal codes, and (2) the Board of Supervisors authority under Charter Section 9.118, authorizing the SFPUC to enter into contracts of $10,000,000 or more without further Board of Supervisors approval.

Item 3 File 17-1216	Department: Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the second amendment to the existing contract between the SFPUC and Kennedy Jenks Consultants, Inc./Bahman Sheikh Water Reuse Consulting/Water Resources Engineering, Inc. a Joint Venture (KJ/Sheikh/WRE, JV) to (i) extend the contract by three years from the original end date of November 2019 to a new end date of November 2022, for a total contract term of twelve years from December 2010 through November 2022, and (ii) increase the total not-to-exceed amount by $2,500,000, from $5,500,000 to $8,000,000.

Key Points

- The San Francisco Westside Recycled Water Project (Project) is a component of the San Francisco Public Utilities Commission's (SFPUC) Water System Improvement Program (WSIP). The primary purpose of the Project is to reduce San Francisco's reliance on potable water for non-potable uses, such as irrigation, through the production and distribution of highly treated recycled water. The Project will bring recycled water from the recycled water treatment facility, to be constructed at the Oceanside Water Pollution Control Plant, to Golden Gate Park, Lincoln Park Golf Course, the Presidio Golf Course and the National Cemetery to be used for irrigation.
- In October 2010, the SFPUC approved a contract between the SFPUC and KJ/Sheikh/WRE, JV following a competitive Request for Proposals (RFP) process for technical and specialized engineering services for the Westside Recycled Water Project. The contract was for a period of six years, from December 2010 through November 2016. The original not-to-exceed amount was $3,700,000. In December 2015, the SFPUC approved the first amendment to the contract between SFPUC and KJ/Sheikh/WRE, JV and (i) increased the amount by $1,800,000 for a total not-to-exceed of $5,500,000, and (ii) extended the term by three years for a total contract duration of nine years from December 2010 through November 2019.
- According to SFPUC, during the course of the planning and design phases of the recycled water facilities and systems under the existing contract with KJ/Sheikh/WRE, JV, additional technical and engineering support were identified for design of irrigation system modifications.

Fiscal Impact

- The proposed amendment to the existing contract between SFPUC and KJ/Sheikh/WRE, JV increases the contract amount by $2,500,000, from not-to-exceed $5,500,000 to not-to-exceed amount of $8,000,000. The amended contract not-to-exceed amount is included in the Westside Recycled Water Project revised budget of $214 million.

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 Westside Recycled Water Project (Project) is a component of the San Francisco Public Utilities Commission's (SFPUC) Water System Improvement Program (WSIP). The primary purpose of the Project is to reduce San Francisco's reliance on potable water for non-potable uses, such as irrigation, through the production and distribution of highly treated recycled water. The Project will bring recycled water from the recycled water treatment facility, to be constructed at the Oceanside Water Pollution Control Plant, to Golden Gate Park, Lincoln Park Golf Course, the Presidio Golf Course and the National Cemetery to be used for irrigation.

The Project will construct the following facilities:

- A recycled water treatment facility at the Oceanside Water Pollution Control Plant;
- A new pump station and underground recycled water storage reservoir at Golden Gate Park's existing Central Reservoir; and
- New recycled water distribution pipelines.

In October 2010, the SFPUC approved a contract between the SFPUC and Kennedy Jenks Consultants, Inc./Bahman Sheikh Water Reuse Consulting/Water Resources Engineering, Inc. a Joint Venture (KJ/Sheikh/WRE, JV) following a competitive Request for Proposals[1] (RFP) process for technical and specialized engineering services for the Recycled Water Projects. The contract was for a period of six years, from December 2010 through November 2016. The original not-to-exceed amount was $3,700,000. In December 2015, the SFPUC approved the first amendment to the contract between SFPUC and KJ/Sheikh/WRE, JV and (i) increased the amount by $1,800,000 for a total not-to-exceed of $5,500,000, and (ii) extended the term by three years for total contract duration of nine years from December 2010 through November 2019.

In July 2016, the Board of Supervisors approved the requested release of $120,827,000 from Budget and Finance Committee Reserve for the Westside Recycled Water Project (File 16-0744).[2]

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[1] Five firms responded to the RFP. Four firms were selected for interviews: Kennedy Jenks/Water Resources Engineering/Bahman Sheikh Joint Venture, 2) Corollo/SRT Joint Venture, 3) Montgomery Watson Harza/Hydroconsult Engineers, Joint Venture, and 4) Camp Dresser & McKee.

[2] The Board of Supervisors appropriated $120,827,000 in Water Enterprise Revenue Bond funds, to the Westside Recycled Water Project in April 2010 (Ordinance 92-10) and November 2011 (Ordinance 230-11) and placed these funds on Budget and Finance Committee Reserve. The total Waterside Recycled Water Project budget was $186,220,000, which included $120,827,000 placed on Budget and Finance Committee Reserve.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the second amendment to the existing contract between the SFPUC and Kennedy Jenks Consultants, Inc./Bahman Sheikh Water Reuse Consulting/Water Resources Engineering, Inc. a Joint Venture (KJ/Sheikh/WRE, JV) to (i) extend the contract by three years from the original end date of November 2019 to a new end date of November 2022, for a total contract term of twelve years from December 2010 through November 2022, and (ii) increase the total not-to-exceed amount by $2,500,000, from $5,500,000 to $8,000,000.

Increase in Water System Improvement Program (WSIP) Westside Recycled Water Project

According to Ms. Barbara Palacios, SFPUC Project Manager, the total Westside Recycled Water Project budget has increased from $186 million to $214 million[3], an increase of $28 million, as a result of additional irrigation system modifications required for compliance with recycled water regulations, as well as increased level of effort needed to complete design of the treatment and pumping facilities and manage construction of new facilities, and also due to high bids received on the treatment plant.

According to Ms. Palacios, during the course of the planning and design phases of the recycled water facilities and systems under the existing contract with KJ/Sheikh/WRE, JV, additional technical and engineering support were identified for design of irrigation system modifications. The expanded project scope includes the required preparation of Operations Plans, detailed Standard Operating Procedures for new recycled water facilities, and Operations and Maintenance Manuals.

Project Construction

Construction of the Project began in February 2017 with the construction of the recycled water pipeline. Completion of the Project, including the recycled water pipeline, recycled water treatment facility at the Oceanside Water Pollution Control Plan, and recycled water pump station and underground reservoir in Golden Gate Park, is anticipated in January 2021 with final close out in October 2021.[4]

According to Ms. Palacios, the Project schedule has been delayed for a variety of reasons, including an extended timeline for the pre-selection and contracting of key treatment equipment, and subsequent design changes related to the selected equipment. The three-year extension of the KJ/Sheikh/WRE, JV contract term will provide for the required technical and engineering support through the start-up of the new recycled water system and its implementation during which treatment will be optimized.

[3] The amount of $214 million has not yet been formally approved by the SFPUC, but is presented in the September 2017 Water Enterprise CIP Quarterly Report to the Commission.
[4] According to Ms. Palacios, the contract term ends in November 2022 to serve as a schedule contingency in the event of unanticipated delays in construction.

FISCAL IMPACT

The proposed amendment to the existing contract between SFPUC and KJ/Sheikh/WRE, JV increases the contract amount by $2,500,000, from not-to-exceed $5,500,000 to not-to-exceed amount of $8,000,000. The amended contract not-to-exceed amount is included in the Westside Recycled Water Project revised budget of $214 million.

According to the budget submitted by SFPUC, estimated expenditures and encumbrances from December 2010 through August 2017 under the KJ/Sheikh/WRE, JV contract are $4,716,335, as shown in Table 1 below.

Table 1: KJ/Sheikh/WRE, JV Contract Actual Expenditures and Encumbrances

(December 2010 through November 2022)

Contract	**Actual Contract Expenditures and Encumbrances** (December 2010 through August 2017)	**Projected Expenditures** (September 2017 through November 2022)	**Total Actual and Projected Expenditures** (December 2010 through November 2022)
KJ/Sheikh/WRE, JV	$4,716,335	$3,283,665	$8,000,000

Table 2 below shows the breakdown of the requested additional $2,500,000 to be expended on each task and the anticipated delivery date for each task.

Table 2: Proposed Project Budget for Second Amendment of KJ/Sheikh/WRE, JV Contract

Task	Anticipated Delivery Date	Amount
Westside Recycled Water Implementation Support	November 2019	$206,389
Engineering Services During Construction - Treatment Facility	November 2019	159,500
Engineering Services During Construction - Distribution System	2020	327,200
Golden Gate Park/Lincoln Park Retrofit - Final Recycled Water Retrofit Design	2020	200,000
Golden Gate Park/Lincoln Park Design of System Modifications	2020	275,000
Engineering Services During Construction for Golden Gate Park/Lincoln Park Retrofit	2020	294,250
Engineering Services During Construction for Golden Gate Park/Lincoln Park System Modifications	2020	370,500
Overall Recycled Water System Operations Plan	2020	220,430
Treatment Operations and Maintenance and Standard Operating Procedures	2021	467,319
Recycled Water Conveyance Operations and Maintenance and Standard Operating Procedures	2021	180,356
Optional Online Operations Dashboard	2021	215,000
As-Needed Technical Services	To Be Determined/2022	367,721
Total Project Budget		**$3,283,665**
Remaining Contract Authority (under First Amendment of Contract)		(783,665)
Requested Total Amount		**$2,500,000**

RECOMMENDATION

Approve the proposed resolution.

Items 4 and 5 **Files 17-1154 and 17-1279**	**Department:** Homelessness and Supportive Housing (HSH)

EXECUTIVE SUMMARY

Legislative Objectives

- File 17-1154: The proposed ordinance would re-appropriate $4,093,100 of lease and tenant improvement costs from 170 9th Street for the renovation of the building at 440 Turk Street for the Department of Homelessness and Supportive Housing in FY 2017-18.
- File 17-1279: Requested release of $1,700,000 for furniture, fixtures and equipment.

Key Points

- During the summer of 2016, a new Department of Homelessness and Supportive Housing (HSH) was created and the Board of Supervisors approved purchasing 440 Turk Street for $5,000,000 for administrative offices for the newly created HSH Department.
- In the fall of 2017, HSH requested approval from the Board of Supervisors for a new separate lease at 170 9th Street for HSH's administrative offices. 440 Turk Street was then proposed to be used as a homeless resource center. The Board of Supervisors tabled the requested lease at 170 9th Street (File 17-0759).

Fiscal Impact

- The cost to purchase, renovate and equip 440 Turk Street for a homeless program resource center was previously budgeted at $11,975,000. The FY 2017-18 budget also included $4,160,392 of General Fund monies to pay for a new administrative office lease for HSH staff at 170 9th Street, which was ultimately tabled by the Board of Supervisors. Overall, the funds appropriated to date total $16,135,392, including $10,275,000 from 2016 Public Health General Obligation Bonds and $5,860,392 from General Funds.
- The 440 Turk Street project now costs $12,868,100. This ordinance will re-appropriate $4,093,100 General Funds from the 170 9th Street lease to 440 Turk Street, resulting in a $3,267,292 surplus of GO Bonds proceeds, to be used for future homeless capital projects.

Recommendations

- Approve the proposed re-appropriation ordinance (File 17-1154).
- Reduce the $1,700,000 on reserve by $390,225 and release $1,309,775 (File 17-1279).

MANDATE STATEMENT

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

City Administrative Code Section 3.3(e) states that the Budget and Finance Committee of the Board of Supervisors has jurisdiction over the City's budget and may reserve proposed expenditures to be released at a later date, subject to Budget and Finance Committee approval.

BACKGROUND

New Department of Homelessness and Supportive Housing

During the summer of 2016, a new Department of Homelessness and Supportive Housing (HSH) was created to consolidate the City's homelessness programs and contracts from the Department of Public Health (DPH), Human Services Agency (HSA), Mayor's Office of Housing and Community Development (MOHCD) and the Department of Children, Youth and Their Families (DCYF). The FY 2017-18 budget for HSH includes 117 FTE positions and $250 million of funding, including $166 million of General Funds. HSH planned to relocate all 117 FTEs from eight different locations into one central location to coordinate all HSH functions.

City Purchase of 440 Turk Street Property

On July 19, 2016, the Board of Supervisors authorized the purchase of real property at 440 Turk Street from the San Francisco Housing Authority for a not-to-exceed $5,000,000 for the staff of the newly created HSH Department (File 16-0652; Resolution 321-16). The 440 Turk Street property includes 25,500 square feet of office space on two floors and limited use of 11,932 square feet of parking and storage[1].

To date, the City has not yet purchased the property at 440 Turk Street. According to Mr. John Updike, Director of the Real Estate Division, the City intends to complete the purchase of the 440 Turk Street property in December 2017 or January 2018, just prior to beginning construction on the property.

Proposed Office Lease at 170 9th Street

Based on meetings among HSH, Real Estate and Public Works during the summer and fall of 2016, given the challenges of finding a property to serve homeless clients, 440 Turk Street was determined to be better suited as a homeless program resource center to directly serve homeless clients. As a result, HSH then requested approval from the Board of Supervisors of a new lease of 25,125 square feet of space at 170 9th Street to be used for HSH's administrative offices (File 17-0759). This proposed HSH office lease at 170 9th Street was estimated to cost a total of $27,080,931 of General Fund revenues over the initial 12-year term. On September 12, 2017, the Board of Supervisors tabled this resolution (File 17-0759).

[1] The 440 Turk Street property also includes a residential tower, above the two floors of office space, which would continue to be used for senior and disabled housing by the San Francisco Housing Authority.

DETAILS OF PROPOSED LEGISLATION

File 17-1154: The proposed ordinance would re-appropriate $4,093,100 of lease and tenant improvement costs from 170 9th Street for the renovation of the building at 440 Turk Street for the Department of Homelessness and Supportive Housing in FY 2017-18.

File 17-1279: The hearing request is for the release of $1,700,000 in General Fund monies placed by the Board of Supervisors on Budget and Finance Committee Reserve in June 2017 pending a detailed plan for the purchase and renovation of 440 Turk Street, and submission of specific details for the purchase of furniture, fixtures, and equipment.

Use of 440 Turk Street

HSH is now proposing to use the 440 Turk Street property as both a critical access point for homeless persons on the first floor and as HSH administrative offices on the second floor.

According to Ms. Gigi Whitley, Deputy Director for Administration and Finance for HSH, HSH will be launching a new Coordinated Entry System to organize the City's Homelessness Response System to more efficiently prioritize and direct homeless clients to the appropriate intervention services and resources. The proposed new coordinated entry access point on the first floor at 440 Turk Street would allow people experiencing homelessness to receive coordinated entry and assessment, with referrals for shelter, housing, case management, medical attention and mental health services.

The first floor access point would include offices for 7-10 HSH staff to meet with homeless clients, as well as capacity to serve 30-50 clients who can use the showers, laundry, storage, and restroom facilities. HSH anticipates the first floor at 440 Turk Street would be open up to 12 hours a day, 7 days a week for assessment and referral. However, HSH advises they will finalize the hours of operations as part of selecting a nonprofit provider to operate the access point services.

The second floor of 440 Turk Street is proposed to be the administrative offices for 95 HSH staff and three shared workstations. These HSH offices would be open 7am to 7pm, Monday through Friday. To accommodate all the HSH staff, Ms. Whitley advises that seven FTEs Homeless Outreach staff will continue to be located at 50 Ivy Street and 2712 Mission Street and three FTEs Housing Access Team staff will continue to be located with the Human Services Agency (HSA) at 1235 Mission Street.

Ms. Whitley also advises that HSH intends to provide security both in and around the 440 Turk Street property. The Office of Contract Administration (OCA) recently released a Request for Proposal (RFP) for unarmed security services for all HSH facilities, including 440 Turk Street. Although bids have not yet been received, based on existing City security contracts, Ms. Whitley estimates security at 440 Turk Street will be approximately $200,000 per year.

Selection of Contractor and Subcontractors

Legislation declaring an emergency and authorizing Public Works to renovate 440 Turk Street to provide an access point for homeless services is calendared for a special Budget and Finance Committee on December 11, 2017. Mr. Edgar Lopez, City Architect and Deputy Director of

Public Works states that Public Works is responsible for overseeing the design, construction and management of the proposed renovations to 440 Turk Street, on behalf of HSH. Given the expedited timeframe allowed under emergency declarations, Public Works contacted Pankow Builders, a design-builder that Public Works has worked with in the past and knows can deliver the construction projects in a competent manner, especially within a short time frame. For example, Pankow Builders has previously been awarded City contracts based on being the low bidder for the Veterans Memorial Building seismic upgrade, construction of the new Public Safety Building and the current rebuild of Central Shops.

According to Mr. Lopez, Public Works is now negotiating with Pankow Builders based on these previous project costs. Under the proposed contract, Pankow Builders will act as the general contractor and competitively bid subcontractor trade packages (electrical, mechanical, painting, carpeting, etc.) to complete the tenant improvements. If approved, Public Works intends to enter into an agreement with Pankow Builders in January 2018, and to immediately commence construction.

FISCAL IMPACT

2016 Public Health and Safety General Obligation Bonds

In June 2016, San Francisco voters approved Proposition A, a $350 million general obligation bond measure to fund (a) $272 million for renovation, expansion and seismic improvements of fire safety and healthcare facilities, (b) $58 million for a new ambulance center and repair and modernization of fire stations, and (c) $20 million for construction, acquisition and improvement of homeless care facilities. In December, 2016, the Board of Supervisors approved the sale and appropriation of $176 million of the total $350 million bonds, including $4,850,000 to create a centralized deployment facility to improve coordination and delivery of services for the homeless (Files 16-1192, 16-1193 and 16-1194). At the time of this approval last year, design of the facility was anticipated to begin in January 2017 and be completed in 2022. According to Mr. Vishal Trivedi, Financial Analyst in the Office of Public Finance, Controller's Office, the next issuance of these bonds is anticipated to occur in the spring of 2018, such that an additional $2,225,000 would be available in May or June of 2018 for homeless service projects.

FY 2016-17 Budget

In FY 2016-17, the total estimated budget for the 440 Turk Street property was $9,000,000 from General Fund revenues, including $5,000,000 to purchase the property and $4,000,000 for tenant improvements for HSH administrative offices[2].

FY 2017-18 Budget

A year later, the FY 2017-18 budget de-appropriated the FY 2016-17 $9,000,000 General Fund budget for HSH's administrative offices at 440 Turk Street. Instead, the FY 2017-18 budget

[2] Tenant improvements of $4,000,000 included upgrades to the generator, electrical and HVAC systems, interior wall reconfiguration, creation of a data room, telecommunications, furniture, carpet and paint.

included $5,425,000[3] to renovate 440 Turk Street into a homeless program resource center with 2016 Public Health and Safety General Obligation Bond proceeds. These funds, together, with the $4,850,000 previously appropriated from 2016 Public Health and Safety General Obligation Bond proceeds, provided a total of $10,275,000 from the GO Bonds. An additional $1,700,000 of General Fund revenues was appropriated and put on reserve in the HSH FY 2017-18 budget for furniture, fixtures and equipment for 440 Turk Street. Together, the cost to purchase, renovate and equip 440 Turk Street for a homeless program resource center was budgeted at $11,975,000.

In addition, the FY 2017-18 budget included $4,160,392 of General Fund monies to pay for a new administrative office lease for HSH staff at 170 9th Street, which was ultimately tabled by the Board of Supervisors.

Overall, the funds appropriated to date total $16,135,392, including $10,275,000 from the 2016 Public Health General Obligation Bonds and $5,860,392 from General Funds, as summarized in Table 1 below.

Table 1: Total Appropriations To Date for 440 Turk Street and 170 9th Street

Purpose	Source	Total Appropriations
440 Turk Capital Project	2016 GO Bonds	$5,425,000
Homeless Services	2016 GO Bonds	4,850,000
Subtotal	**2016 GO Bonds**	**$10,275,000**
440 Turk Furniture, Fixtures & Equip (FF&E)	General Fund	$1,700,000
170 9th Street Lease	General Fund	4,160,392
Subtotal	**General Fund**	**$5,860,392**
Total	**All Funds**	**$16,135,392**

Proposed Re-appropriation and Re-use of Funds

However, now that 440 Turk Street is no longer proposed to be used exclusively as a homeless resource center, Public Works' analysis determined that only 55 percent of the total project costs can be paid with the 2016 GO Bond funds specified for homeless facilities, with the remaining 45 funded with General Fund monies. The total 440 Turk Street project costs as shown in Table 2 below are $12,868,100. Therefore, HSH is requesting to re-appropriate the above-noted $4,160,392 General Fund appropriation from the 170 9th Street lease to renovations at 440 Turk Street. Given that $16,135,392 has already been appropriated, and the 440 Turk Street project is estimated to cost a total of $12,868,100, this results in a surplus of $3,267,292 of GO Bond proceeds previously appropriated. Ms. Whitley advises that HSH will identify future bond eligible projects to be funded with these surplus proceeds, in accordance with the Capital Planning Committee.

[3] Increased costs from $4 million to $5.4 million were based on Public Works assessment of the HVAC system and required code upgrades.

Table 2 below show the sources and uses for the proposed purchase, renovation, construction, furnishings and equipment for the 440 Turk Street office and homeless service facility totaling $12,868,100.

As highlighted in Table 2 below, the requested $4,093,100[4] of General Fund monies would be re-appropriated from funding the previously rejected HSH lease at 170 9th Street to renovating and constructing the proposed 440 Turk Street facility (File 17-1154).

Table 2: Sources and Uses of Funds for 440 Turk Street

<u>Sources</u>	
2016 Public Health General Obligation Bond	$4,850,000
Future Public Health General Obligation Bonds	<u>2,225,000</u>
Subtotal General Obligation Bond Proceeds	$7,075,000
General Fund Furniture, Fixtures and Equipment	$1,700,000
General Fund Re-appropriation (Subject of this ordinance)	***<u>4,093,100</u>***
Subtotal General Fund Proceeds	$5,793,100
Total Sources	**$12,868,100**
<u>Uses</u>	
Purchase of 440 Turk Street	$5,000,000
Renovation and Construction of 440 Turk Street	6,168,100
Furniture, Fixtures and Equipment (FF&E) (File 17-1279)	<u>1,700,000</u>
Subtotal Renovation, Construction and FF&E	<u>7,868,000</u>
Total Uses	**$12,868,100**

Design and Construction Budget

Table 3 below summarizes the budget for the design, construction, contingencies and furniture, fixtures and equipment for 440 Turk Street project totaling $7,868,000. In addition to a 15 percent contingency for design and project management, and a 10 percent contingency for construction costs, the budget shown in Table 3 below assumes another 15 percent contingency for subcontractor bids, 3 percent for regulatory approvals and 2 percent for San Francisco Art Commission (SFAC) art enrichment. According to Mr. Lopez, the 15 percent subcontractor bid market contingency is because currently there is extreme high demand for key subcontractors and a limited labor pool available, which results in increased costs due to these market conditions. The 3 percent Regulatory Approvals are to pay for required fees to the City's Department of Building Inspection (DBI), Fire Department plan check review and City Planning. Mr. Lopez also advises while the specific public art component has not yet been determined for 440 Turk Street, the 2 percent Art Enrichment costs are required.

[4] As discussed above, HSH originally appropriated $4,160,392 of General Fund monies for a new170 9th Street lease for administrative offices. The proposed ordinance would re-appropriate $4,093,100 of these General Funds for renovation of 440 Turk Street, with the remaining $67,292 available for HSH's security, and moving expenses.

Table 3: Design and Construction Budget for 440 Turk Street

Description of Work	Basis	Cost
First Floor-Access Point & Client Services		
Offices/Meeting Area/Resource Center (9,900 sf)	$143/sf	$1,415,700
Restrooms/Showers/Lockers/Laundry (800 sf)	$450/sf	360,000
Second Floor – HSH Offices		
General Office Spaces/Meeting Rooms (14,800 sf)	$143/sf	$2,116,400
Overall Building Required Upgrades		
Elevator Code upgrades and re-certification	Lump sum	$50,000
Roof penetrations and hazardous materials allowance	Lump sum	50,000
Window and insulation (Title 24) upgrades	Lump sum	250,000
Subtotal Construction		**$4,242,000**
Design and Project Management (15% of construction)	15%	$636,000
Subcontractor Bid Market Contingency (15% of construction)	15%	636,000
Construction Contingency (10% of construction)	10%	424,000
Regulatory Approvals (3% of construction)	3%	127,000
SFAC Art Enrichment (2% of construction)	2%	85,000
Subtotal Contingencies and Related Costs		**$1,908,000**
Furniture, Fixtures and Equipment (File 17-1279)		**1,718,000**
Total Design and Construction Budget		**$7,868,000**

As shown in Table 3 above, Public Works estimates furniture, fixtures and equipment will now cost $1,718,000. In June 2017, $1,700,000 of General Fund revenues were placed on Budget and Finance Committee reserve, pending a detailed plan for the purchase and renovation of 440 Turk Street, and submission of specific details for the purchase of furniture, fixtures, and equipment.

Furniture, Fixtures and Equipment (FF&E)

Table 4 below details the requested $1,718,000 for furniture, fixtures and equipment and proposed recommended FF&E of $1,309,775, which results in a General Fund savings of $408,225. The proposed recommended reduction for computers and telephones assumes purchase of 100 new computers at $1,300 each plus 118 telephones at $200 each. The other proposed recommended reductions are based on actual recent costs for technology equipment, actual Public Works bid received for furnishings and equipment for 440 Turk Street, and recent City project costs for FF&E for the Office of the Medical Examiner.

Table 4: Furniture, Fixtures and Equipment Costs for 440 Turk Street

Description	Requested	Recommended	Savings
Workstation Systems Furniture	$413,000	$413,000	$0
Telephone and Data Wiring	144,550	144,550	0
Computers and Telephones	413,000	153,600	259,400
Commercial washers and dryers	50,000	50,000	0
Conference Rooms Furniture	120,000	95,000	25,000
Access Point FF&E	225,000	225,000	0
Server, Data Room & Network	200,000	150,000	50,000
Moving and Relocation	55,200	30,000	25,200
Subtotal	$1,620,750	$1,261,150	359,600
Escalation (6%)	97,250	48,625	48,625
Total FF&E Costs	**$1,718,000**	**$1,309,775**	**$408,225**

However, given that only $1,700,000 (not $1,718,000) is currently on reserve for FF&E, the requested release of reserve should be reduced by $390,225, and release the recommended $1,309,775.

POLICY CONSIDERATION

Community Meetings

HSH held several community meetings with residents and business owners in the Tenderloin neighborhood, who were concerned about HSH converting 440 Turk Street into a 24-hour per day, seven days per week resource center for homeless services. Based on community feedback, HSH reports that they changed the uses on the site such that Tenderloin community members were generally supportive of locating HSH headquarters at 440 Turk Street, with the understanding that this site would include administrative staff offices, space to meet clients experiencing homelessness and an access point to HSH's homelessness response system. As noted above, HSH is now planning to use the first floor of 440 Turk Street for homeless access services, anticipated to be open up to 12 hours per day, seven days per week, although the hours of operation have not yet been finalized. The second floor of 440 Turk Street would be used for HSH's administrative offices.

RECOMMENDATIONS

1. Approve the proposed re-appropriation ordinance (File 17-1154).
2. Reduce the $1,700,000 on reserve by $390,225 and release $1,309,775 (File 17-1279).

Item 6 **File 17-1174**	**Department:** Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve Amendment No. 2 to the Department of Public Health behavioral health services contract with Richmond Area Multi-Services, Inc., for the Vocational Rehabilitation Program, extending the contract by two years and ten months, for a total term of four years and ten months from January 1, 2016 through October 31, 2020, with a corresponding increase of $13,045,642, increasing the total contract not to exceed amount from $9,558,288 to $22,603,930.

Key Points

- The Vocational Rehabilitation Employment and Training Programs operate under Community Behavioral Health Services under the Department of Public Health (DPH) and provide vocational rehabilitation services for consumers with behavioral health challenges.
- In 2015, the Department of Public Health selected Richmond Area Services Inc. to provide five service categories: Peer-to-Peer Vocational Linkage, Clerical and Mailroom, Janitorial, Informational Technology, and Transitional Age Youth from January 1, 2016 through December 31, 2016 for an initial not to exceed amount of $4,382,340, with four (4) one-year options for renewal at the City's sole discretion.
- In July 2016, the Department of Public Health approved Amendment No. 1 to the contract to extend the contract through December 31, 2017 for a new total not to exceed amount of $9,558,288.

Fiscal Impact

- Actual contract expenditures from January 1, 2016 through December 31, 2017 are expected to be $6,942,158. Budgeted expenditures from January 1, 2018 through October 31, 2020, are $13,796,879, for a contract total of $20,739,037.
- Approximately 30 percent of contract expenditures are paid by the City's General Fund and 70 percent of contract expenditures are paid by State and Federal funding. The Department of Public Health has sufficient funding in the FY 2017-18 and FY 2018-19 budgets to pay for contract expenditures.

Recommendations

- Amend the proposed resolution to reduce the contract not to exceed amount by $1,864,893, from $22,603,930 to $20,739,037.
- 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 has a term of more than ten years, or requires expenditures of $10 million or more is subject to Board of Supervisors approval.

BACKGROUND

The Vocational Rehabilitation Employment and Training Programs operate under Community Behavioral Health Services under the Department of Public Health (DPH) and provide vocational rehabilitation services for consumers with behavioral health challenges. The Department of Public Health, along with four contracted independent agencies, administers 11 programs as part of the vocational services.

In April 2015, the Department of Public Health issued a request for qualifications to meet the needs of eight of the Vocational Rehabilitation Employment and Training Programs for the period of January 1, 2016 through December 31, 2016: (1) Employment Readiness, (2) Peer-to-Peer Vocational Linkage, (3) Clerical and Mailroom, (4) Food and Catering, (5) Janitorial, (6) Informational Technology, (7) Transitional Age Youth, and (8) Landscaping and Horticulture.

The vocational programs were separated into two groups: Group 1 contained all services except for Transitional Age Youth, and Group 2 for Transitional Age Youth services. Group 1 proposals were reviewed by a committee composed of representatives of the Sheriff's Department, Wellness and Peer Advocates, local academic experts, one front-line vocational program manager from DPH Community Behavioral Health Services, a Peer Consumer, and a representative of the Office of Economic and Workforce Development. The committee evaluated Group 1 proposals based on their history of providing the direct services solicited and a proven capacity to conduct programming.

Group 2 proposals (for Transitional Age Youth services) were reviewed by a committee composed of two program managers from different local community-based organizations which serve the target population, a representative of the Department of Children, Youth and Families, a Peer Consumer, a representative of the UCSF Citywide Employment Program, and one manager from DPH Community Behavioral Health Services. The committee evaluated Group 2 proposals based on a history of providing mental health services to transitional age youth, ages 15-25, and a proven understanding and expertise in the developmental needs of youth as opposed to that of young adults.

Richmond Area Multi-Services, Inc. (RAMS) submitted their qualifications and were scored for five of the service categories: (2) Peer-to-Peer Vocational Linkage, (3) Clerical and Mailroom, (5) Janitorial, (6) Informational Technology, and (7) Transitional Age Youth. The scores for the five services, as well as other bidders, are shown in Table 1 below.

Table 1: Scores based on the Request for Qualifications for Five of the Eight Vocational Rehabilitation Employment and Training Programs

#	Service Category	Proposer	Score
2	Peer-to-Peer Vocational Linkage Services	RAMS	94.67
2	Peer-to-Peer Vocational Linkage Services	Caminar	87.75
3	Clerical and Mailroom Services	RAMS	94.50
5	Janitorial Services	RAMS	101.42
6	Information Technology Services	RAMS	94.59
7	TAY Vocational Services	RAMS	97.00
7	TAY Vocational Services	Special Services for Groups	94.84
7	TAY Vocational Services	Youth Community Developers*	74.70

In 2015, the Department of Public Health selected Richmond Area Services Inc. to provide the five categories of vocational services for the period of January 1, 2016 through December 31, 2016 for an initial not to exceed amount of $4,382,340, with four (4) one-year options for renewal at the City's sole discretion.

In July 2016, the Department of Public Health approved Amendment No. 1 to the contract to extend the contract through December 31, 2017 for a new total not to exceed amount of $9,558,288.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 2 to the Department of Public Health contract of behavioral health services with Richmond Area Multi-Services, Inc., for the Vocational Rehabilitation Program, extending the contract by two years and ten months, for a total term of four years and ten months from January 1, 2016 through October 31, 2020, with a corresponding increase of $13,045,642, increasing the total contract amount not to exceed from $9,558,288 to $22,603,930.

According to Ms. Jacquie Hale, Director of the Department of Public Health Office of Contracts Management and Compliance, the contract term ends October 31, 2020 to correspond to the current duration of the Civil Service Commission's approval.[1] The contract will be changed to reflect this date. However, Ms. Hale expects the Department of Public Health to ask the Civil Service Commission for a third modification to the contract to extend the duration of the contract to December 31, 2020.

[1] Contracting out of professional services require Civil Service Commission approval. According to Ms. Hale, the Civil Service Commission approved contracting out for vocational services from November 1, 2015 through October 31, 2020. The Civil Service Commission typically provides its approval for periods up to five years only, requiring Departments to return for subsequent approvals.

FISCAL IMPACT

As shown in Table 2 below, actual contract expenditures from January 1, 2016 through December 31, 2017 are expected to be $6,942,158. Budgeted expenditures from January 1, 2018 through October 31, 2020, are $13,796,879, for a contract total of $20,739,037, as summarized in Table 2 below.

Table 2: Actual, Budgeted and Projected Expenditures

Actual and Expected Expenditures	**Amount**
Actual Expenditures as November 30, 2017	$6,267,307
Expected Expenditures to December 31, 2017	674,851
Subtotal Actual and Expected Expenditures	$6,942,158
Budgeted Expenditures under 2nd Amendment	**Amount**
January 1, 2018 to June 30, 2018	2,173,878
July 1, 2018 to June 30, 2019	4,347,756
July 1, 2019 to June 30, 2020	4,347,756
July 1, 2020 to October 31, 2020	1,449,252
Subtotal, Budgeted Expenditures	12,318,642
12% Contingency	1,478,237
Total Budgeted Expenditures	$13,796,879
Total Actual and Budgeted Expenditures	**$20,739,037**

Recommended Contract Reduction Based on Need	**Amount**
Total Proposed Not to Exceed Amount	$22,603,930
Total Needed Contract Amount	20,739,037
Recommended Reduction	**$1,864,893**

Approximately 30 percent of contract expenditures are paid by the General Fund and 70 percent of contract expenditures are paid by State and Federal funding, including the State Realignment, Federal Substance Abuse and Mental Health Services Administration Grant and the State Mental Health Services Act. The Department of Public Health has sufficient funding in the FY 2017-18 and FY 2018-19 budget to pay for contract expenditures.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the contract not to exceed amount by $1,864,893, from $22,603,930 to $20,739,037.
2. Approve the proposed resolution as amended.

Item 7 **File 17-1175**	**Department:** Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve Amendment No. 1 to the Department of Public Health contract for behavioral health services with Richmond Area Multi-Services, Inc. for Peer-to-Peer Employment Program and Peer Specialist Mental Health to extend the contract by two years and six months, for a total term from July 1, 2015 through June 30, 2020, with a corresponding increase of $11,551,272, increasing the contract not-to-exceed amount from $9,218,339 to $20,769,611.

Key Points

- The Mental Health Services Act (MHSA) requires counties to collaborate with community stakeholders in order to create an integrated plan for behavioral health services. San Francisco's current plan has seven MHSA categories in order to facilitate planning and reporting to the State of California, including Peer-to-Peer support services.
- In 2014, the Department of Public Health released a request for qualifications to provide two programs: a Peer-to-Peer Employment Program and a Peer Specialist Mental Health Certificate Program for the 30-month period from July 1, 2015 through December 31, 2017. Richmond Area Multi-Services was chosen as the highest qualified provider, and following negotiations, the Department of Public Health entered into a contract with Richmond Area Multi-Services for a period from July 1, 2015 through December 31, 2017 for $9,218,339.

Fiscal Impact

- Actual contract expenditures from July 1, 2015 through December 31, 2017 are expected to be $7,387,517. Budgeted expenditures from January 1, 2018 through June 30, 2020, are $10,410,668, for a contract total of $19,047,465.
- Approximately 8 percent of contract expenditures are paid by the General Fund and 92 percent of contract expenditures are paid by State Realignment and the State Mental Health Services Act.

Recommendations

- Amend the proposed resolution to reduce the not to exceed amount by $1,722,146, from $20,769,611 to $19,047,465.
- 2. 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 has a term of more than ten years, or requires expenditures of $10 million or more is subject to Board of Supervisors approval.

BACKGROUND

The Department of Public Health provides health and behavioral services through approximately 300 Community-Based Organizations and service providers.

The Mental Health Services Act (MHSA) was approved by California voters in November 2004 to provide funding to change the access to and delivery of mental health services. Counties were required to collaborate with community stakeholders in order to create an integrated plan for behavioral health services. San Francisco's current plan has seven MHSA categories in order to facilitate planning and reporting to the State of California, including Peer-to-Peer [1] support services. The Department of Public Health, along with four contracted independent agencies, administers 13 programs as part of the peer-to-peer support services.

In 2014, the Department of Public Health released a request for qualifications to provide two of the 13 programs – a Peer-to-Peer Employment Program and a Peer Specialist Mental Health Certificate Program – for the 30-month period from July 1, 2015 through December 31, 2017. Richmond Are Multi-Services, Inc. submitted qualifications for both programs, while San Francisco Study Center submitted qualifications only for the Peer-to-Peer Employment Program. According to Ms. Jacquie Hale, Director of the Department of Public Health's Office of Contracts Management and Compliance, programming for Peer-To-Peer employment and Peer Specialist Mental Health Certificates is a specialty area that requires infrastructure and knowledge different from more general clinic based service delivery. As such, the Department of Public Health did not anticipate a large number of respondents.

The qualifications were evaluated by a panel[2] based on previous experience and history. Richmond Are Multi-Services, Inc. was chosen as the highest qualified provider and was selected to provide peer training, supervision, consultation, job coaching, and additional supportive services for the Peer-to-Peer Employment Program and certificate training for peers to teach skills regarding outreach, engagement, navigation and peer counseling as part of the Peer Specialist Mental Health Certificate Program. Following negotiations, the Department of Public Health entered into a contract with Richmond Area Multi-Services for a period from July 1, 2015 through December 31, 2017 for $9,218,339.

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[1] A peer is defined as an individual with personal lived experience who is a consumer of behavioral health services (BHS), a former consumer or a family member of a consumer.

[2] The panel was composed of a Peer Career Mentor Intern and a community mental health instructor at City College of San Francisco, a Staff Support Manager from the Department of Rehabilitation, two program managers from the Department of Public Health Behavioral Health Services, a representative of the Office of Economic and Workforce Development, a program and outreach coordinator from the California Institute of Integral Studies.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 1 to the Department of Public Health contract for behavioral health services with Richmond Area Multi-Services, Inc. for Peer-to-Peer Employment Program and Peer Specialist Mental Health to extend the contract by two years and six months, for a total term from July 1, 2015 through June 30, 2020, with a corresponding increase of $11,551,272, increasing the contract not-to-exceed amount from $9,218,339 to $20,769,611.

According to Ms. Hale, the Department of Public Health did not consider resoliciting the services to try to obtain additional vendors to conduct the work due to the limited number of vendors in the area and the limited time available to the County to expend the State funds.

FISCAL IMPACT

As shown in Table 1 below, actual contract expenditures from July 1, 2015 through December 31, 2017 are expected to be $7,387,517. Budgeted expenditures from January 1, 2018 through June 30, 2020, are $10,410,668, for a contract total of $19,047,465, as summarized in Table 2 below.

Table 1: Actual, Budgeted and Projected Expenditures

Actual and Expected Expenditures	**Amount**
Actual Expenditures as of October 31, 2017	$6,809,735
Expected Expenditures to December 31, 2017	577,782
Subtotal Actual and Expected Expenditures	$7,387,517
Budgeted Expenditures under 1st Amendment	**Amount**
January 1, 2018 to June 30, 2018	$2,173,878
July 1, 2018 to June 30, 2019	4,118,395
July 1, 2019 to June 30, 2020	4,118,395
Subtotal, Budgeted Expenditures	10,410,668
12% Contingency	1,249,280
Total Budgeted Expenditures	$11,659,948
Total Actual and Budgeted Expenditures	**$19,047,465**
Recommended Contract Reduction Based on Need	**Amount**
Total Proposed Not to Exceed Amount	$20,769,611
Total Needed Contract Amount	19,047,465
Recommended Reduction	**$1,722,146**

Approximately 8 percent of contract expenditures are paid by the General Fund and 92 percent of contract expenditures are paid by State Realignment and the State Mental Health Services

Act. The Department of Public Health has sufficient funding in the FY 2017-18 and FY 2018-19 budget to pay for contract expenditures.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the not to exceed amount by $1,722,146, from $20,769,611 to $19,047,465.

2. Approve the proposed resolution as amended.