

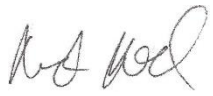
**CITY AND COUNTY OF SAN FRANCISCO**

**BOARD OF SUPERVISORS**

**BUDGET AND LEGISLATIVE ANALYST**

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September 1, 2023

**TO:** Budget and Finance Committee  
**FROM:** Budget and Legislative Analyst   
**SUBJECT:** September 6, 2023 Budget and Finance Committee Meeting

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<b>Item 2</b> <b>File 23-0716</b>	<b>Department:</b> Public Works
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**EXECUTIVE SUMMARY**

**Legislative Objectives**

- The proposed resolution would approve a maintenance agreement between the City and the California Department of Transportation (Caltrans) for the City’s maintenance of public artwork on Caltrans property.

**Key Points**

- The Department of Public Works’ (Public Works) Potrero Gateway Project aims to improve and reconnect the Potrero Hill neighborhood, which is separated by U.S. Highway 101. As part of this project, Public Works is partnering with the San Francisco Arts Commission (SFAC) to install public sculptures at two sites along 17th Street: (1) 17th Street and San Bruno Avenue, and (2) 17th Street and Vermont Street. The California Department of Transportation (Caltrans) is the owner of the property on which the public art is to be installed.
- In March 2023, Caltrans conditionally approved installation of the sculpture project. One of the conditions for approval is that the City accept responsibility for maintenance and removal (if needed) of the artwork, via a maintenance agreement.
- Under the proposed maintenance agreement with Caltrans, the City is responsible for installation and ongoing upkeep of the artwork (including regular cleanings of the artwork, site maintenance, and graffiti removal) and associated costs.

**Fiscal Impact**

- A separate agreement between the City and the Dogpatch & Northwest Potrero Hill Green Benefit District (GBD) provides for the City and GBD to share maintenance responsibilities. Under that agreement, following installation of the artwork, GBD is responsible for minor repairs and cleaning of the sculptures and surrounding areas. The Caltrans agreement also requires the City to maintain the sculpture’s foundation and to restore any damage to the sculpture, which is not covered by the City’s agreement with GBD. Public Works estimates that its share of maintenance costs will be \$10,000 annually for the anticipated useful life of the improvements.

**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****Potrero Gateway Public Art Project**

The Department of Public Works' (Public Works) Potrero Gateway Project aims to improve and reconnect the Potrero Hill neighborhood, which is separated by U.S. Highway 101, and enhance safety for pedestrians, cyclists, and motorists under the freeway overpass along Vermont Street between 17<sup>th</sup> Street and Mariposa Street and along 17<sup>th</sup> Street from Vermont Street to San Bruno Avenue. The project originated from a community initiative to improve the area. As part of this project, Public Works is partnering with the San Francisco Arts Commission (SFAC) to install public sculptures at two sites along 17<sup>th</sup> Street: (1) 17<sup>th</sup> Street and San Bruno Avenue, and (2) 17<sup>th</sup> Street and Vermont Street.<sup>1</sup>

The California Department of Transportation (Caltrans) is the owner of the property on which the public art is to be installed. The San Bruno Avenue and 17<sup>th</sup> Street site contains a highway overpass with an open space underneath and adjacent to the highway where the artwork will be publicly displayed. The Vermont Street and 17<sup>th</sup> Street site is similarly a currently underutilized site of a freeway overpass shown in Exhibit 2.

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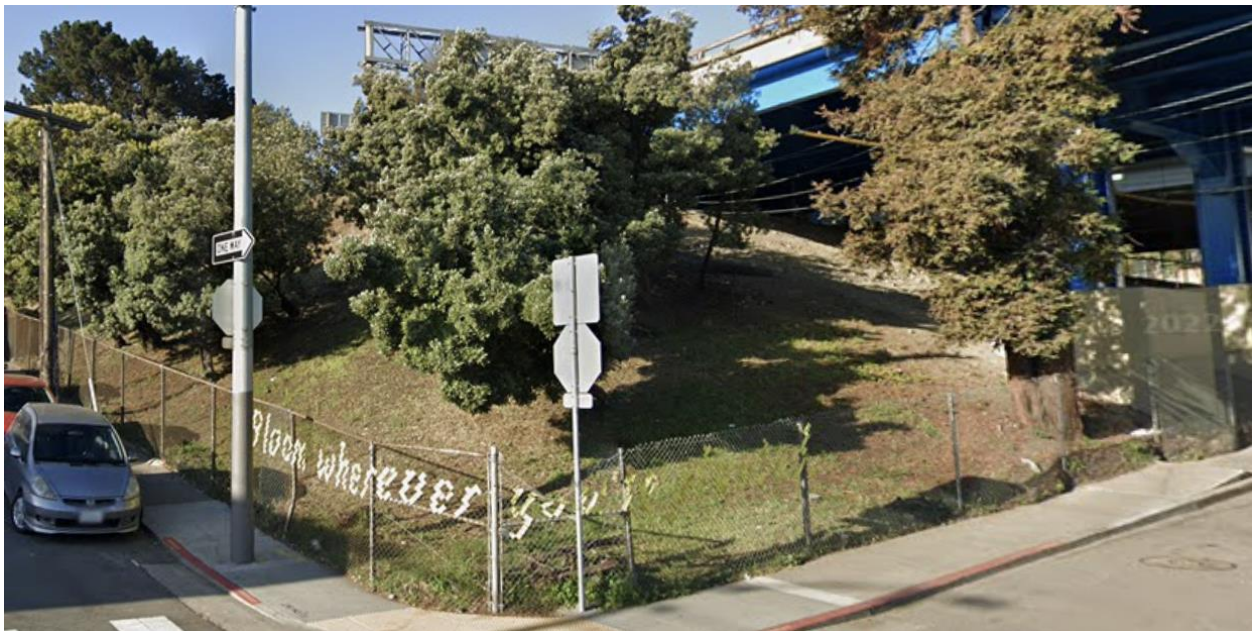
<sup>1</sup> The project also includes sidewalk widening, construction of corner bulb-outs, enhancements to bike lanes, new pedestrian lighting, and installation of plants.

**Exhibit 1: San Bruno and 17<sup>th</sup> Street Site**



Source: Exhibit A, Proposed Maintenance Agreement

**Exhibit 2: Vermont St and 17<sup>th</sup> Street Site**



Source: Exhibit A, Proposed Maintenance Agreement

**Artist Selection & Caltrans Conditional Approval**

The Arts Commission issued a Request for Qualifications (RFQ) on November 30, 2020 to identify artists for public artwork at the Potrero Gateway Park. A total of 101 artists and artist collaboratives responded to the request. Evaluation of proposals was conducted by a seven-person panel. Of the 13 semi-finalists selected from the applicant pool, four finalists were

selected, with FutureForms<sup>2</sup> receiving the top score of the four proposals selected for final review.<sup>3</sup> FutureForms' proposal was subsequently vetted for two months to ensure project viability and safety.

In July 2021, the SFAC approved a contract with FutureForms to design and install the art project for an amount not to exceed \$217,000. In September 2022, the SFAC approved by the revised final design of the project.

In March 2023, Caltrans conditionally approved installation of the sculpture project. One of the conditions for approval is that the City accept responsibility for maintenance and removal (if needed) of the artwork, via a maintenance agreement.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a maintenance agreement between the City and the California Department of Transportation for the City's maintenance of public artwork on Caltrans property.

### Terms of the Proposed Maintenance Agreement

Under the proposed maintenance agreement, Caltrans maintains jurisdiction over the property, and may compel the City to modify the artwork, including removal, to allow Caltrans to carry out maintenance, construction, and rehabilitation of existing transportation facilities. The City is responsible for installation and ongoing upkeep of the artwork (including regular cleanings of the artwork, site maintenance, and graffiti removal) and associated costs. In addition, the City shall indemnify the State in all matters related to the City's fulfillment of its contractual obligations.

The agreement becomes effective subsequent to the approval by the Board of Supervisors and signatures of delegated parties of the City and State and has no end date.

## FISCAL IMPACT

### Cost of Maintenance

A separate agreement between the City and the Dogpatch & Northwest Potrero Hill Green Benefit District (GBD)<sup>4</sup> provides for the City and GBD to share maintenance responsibilities. Under that agreement, following installation of the artwork, GBD is responsible for minor repairs and cleaning of the sculptures and surrounding areas. The Caltrans agreement also requires the City

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<sup>2</sup> FutureForms is the trade name of Machinic LLC, art and design studio that creates outdoor publicly accessible sculpture and installation environments to beautify and activate urban spaces. FutureForms has a prior history of successfully designing and installing several prominent public space artworks.

<sup>3</sup> In the final round, FutureForms received a score of 128, Aileen Barr and Colette Crutcher received a score of 110, and Randy Colosky received a score of 94.

<sup>4</sup> The Dogpatch & Northwest Potrero Hill Green Benefit District is a business improvement district established in 2015 (File 15-0535).

to maintain the sculpture's foundation and to restore any damage to the sculpture, which is not covered by the City's agreement with GBD. Public Works estimates that its share of maintenance costs will be \$10,000 annually for the anticipated useful life of the improvements.

**RECOMMENDATION**

Approve the proposed resolution.

<b>Item 3</b> <b>File 23-0816</b>	<b>Department:</b> Public Utilities Commission (SFPUC)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>The proposed resolution would authorize the San Francisco Public Utilities Commission (SFPUC) to accept and expend a grant in an amount not to exceed \$538,051 from the California Department of Water Resources via Association of Bay Area Governments. The grant term would be October 1, 2023 through December 31, 2024 and has a \$422,849 local matching fund requirement, would be used to partially fund a water project at the San Francisco Zoo.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>SFPUC’s San Francisco Zoo Recycled Water Pipeline Project would add a 1,450-foot pipeline along Sloat Boulevard between the Zoo and the Westside Enhanced Recycled Water distribution line to allow the Zoo to use recycled water for non-potable uses and therefore reduce its use of the groundwater from the Westside Groundwater Basin.</li> <li>Design work for the San Francisco Zoo Recycled Water Pipeline Project is complete, and construction is estimated to begin in May 2024 with the pipeline construction portion projected to be completed by the end of December 2024. The overall project is expected to be completed by May 2025.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>The total budget of the Zoo Pipeline project is \$3,975,000, including planning, design, construction, and project delivery. The proposed \$538,051 grant would offset a portion of construction costs, with the remaining project costs of \$3.4 million funded by Water Capital revenues (such as water bonds, customer revenues, and capacity fees), which fulfill the local funding match requirement of the proposed grant.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Approve the proposed resolution.</li> </ul>	

**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**

**Proposition 1 Grant**

The State Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1) provides approximately \$7.5 billion in funding (via state general obligation bonds) for water projects in California. Proposition 1 authorized approximately \$510 million for the California Department of Water Resources (DWR) to administer an Integrated Regional Water Management (IRWM) Grant Program to fund projects that address regional water security, climate, and drought preparedness across the state. As part of the Proposition 1 IRWM grant program, the DWR issued a grant in June 2020 to the Association of Bay Area Governments<sup>1</sup> to finance local water projects in the San Francisco Bay Area. The San Francisco Public Utilities Commission (SFPUC) applied for a Proposition 1 grant on December 11, 2018 and was selected on July 23, 2019 to receive a grant in the amount of \$538,051 for the San Francisco Zoo Recycled Water Pipeline Project.<sup>2</sup>

**San Francisco Zoo Recycled Water Pipeline Project**

Currently, the San Francisco Zoo depends on groundwater pumped from the Westside Groundwater Basin for its non-potable uses such as landscape irrigation, cleaning animal pens, and refilling impoundment and animal pools at the Zoo. SFPUC’s San Francisco Zoo Recycled Water Pipeline Project would add a 1,450-foot pipeline along Sloat Boulevard between the Zoo and the Westside Enhanced Recycled Water distribution line to allow the Zoo to use recycled water for non-potable uses and therefore reduce its use of the groundwater from the Westside Groundwater Basin.

According to the SFPUC, project design work is complete, and construction is estimated to begin in May 2024 with the pipeline construction portion projected to be completed by the end of December 2024. The overall project is expected to be completed by May 2025. SFPUC states that the competitive procurement process to select one-time contractual services for construction is anticipated to begin in September 2023.

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<sup>1</sup> The Association of Bay Area Governments is a regional planning agency that encompasses local governments in the nine counties surrounding the San Francisco Bay Area region. The agency works with the local water agencies in various jurisdictions to administer, coordinate and implement the terms of the DWR grant, such as disbursing grant funds.

<sup>2</sup> According to PUC staff, because grant is for construction activities, so no funding was needed until 2023.



## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize SFPUC to accept and expend a grant in an amount not to exceed \$538,051 from the California Department of Water Resources via ABAG for the construction of a new recycled water pipeline for the San Francisco Zoo. The term of grant would be October 1, 2023 through December 31, 2024. Under the grant agreement between DWR and the Association of Bay Area Governments, grantees are required to provide a local cost share. The local matching funds required for the San Francisco Zoo Recycled Water Pipeline Project is \$422,849, to be funded by SFPUC.

### Use of Grant Funds

Grant funds will be used for the construction of the San Francisco Zoo's new recycled water pipeline. Specific construction activities to be funded by the grant include the following:

- **Construction Administration:** On-site engineering construction observer duties such as documenting pre-construction conditions, managing project schedule, reviewing and managing the submission of contractor logs and pay requests, and managing change orders.
- **Construction:** Mobilization and demobilization of equipment, supplies, tools, and materials at the project site including establishing contractor trailers, construction work which includes digging, excavation and backfilling and installation of pipeline, and pavement restoration

### Reporting Requirements

Proposition 1 grant funds are subject to compliance with standard reporting and monitoring requirements, such as progress reports for the duration of the grant. Progress report requirements for the grant project include detailing the following:

- 1) Work accomplishments;
- 2) Percentage complete (by work)
- 3) Deliverables or milestones submitted or completed;
- 4) Meetings attended or organized;
- 5) Issues and/or scheduling challenges that may delay task completion; and
- 6) Budget projections of grant funds

Reporting requirements also include a final project completion report, grant completion report and post-performance report that includes an assessment of expected and actual project benefits.

## FISCAL IMPACT

The total budget of the Zoo Pipeline project is \$3,975,000, including planning, design, construction, and project delivery. The proposed \$538,051 grant would offset a portion of construction costs, with the remaining project costs of \$3.4 million funded by Water Capital

revenues (such as water bonds, customer revenues, and capacity fees), which fulfills the matching fund requirement of the grant. Actual project spending may vary depending on the results of forthcoming bids for professional service and construction contracts.

According to SFPUC, no grant funds have been encumbered or expended. SFPUC states that ongoing costs of the pipeline project will include regular maintenance by the department of the recycled water system and new pipeline. However, SFPUC is not able to quantify the ongoing maintenance costs at the time of this report.

### **RECOMMENDATION**

Approve the proposed resolution.

<b>Item 7</b> <b>File 23-0833</b>	<b>Department:</b> Controller, City Administrator
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**EXECUTIVE SUMMARY**

**Legislative Objectives**

- The proposed ordinance would authorize the sale of not to exceed \$77,170,000 in Certificates of Participation (COPs) and approve documents associated with the transaction.

**Key Points**

- The City’s The Capital Plan for FY 2024-2033 provides for \$527.0 million of Certificates of Participation debt (COPs) over the ten-year term, including an estimated \$60.0 million in FY 2023-24 for critical repairs projects and street resurfacing.
- The adopted budget for FY 2023-25 includes \$77,170,000 in FY 2023-24 COPs proceeds for Critical Repair projects (\$25.6 million), Street Resurfacing projects (\$32.8 million) and associated costs, including a reserve for market uncertainty.
- The proposed ordinance also rescinds \$22,385,000 in a prior COP authorization. According to Office of Public Finance staff, the project costs associated with this authorization were fully funded through issuance of a lower actual principal amount because the COPs were sold when interest rates were low, allowing for the sale to generate a premium from investors.

**Fiscal Impact**

- According to the Office of Public Finance, estimated average annual debt service on the estimated \$73.4 million COPs issuance amount is approximately \$6.8 million. Total debt service over the anticipated 20-year term is approximately \$136.3 million, which includes approximately \$73.4 million in principal and \$62.8 million in interest and true interest cost of 6.44 percent. Debt service will be paid from the City’s General Fund.

**Recommendation**

- Approve the proposed ordinance.

**MANDATE STATEMENT**

City Administrative Code Section 10.62(b) states that the Board of Supervisors may authorize the issuance of Certificates of Participation (COPs) and other lease financing debt to fund capital projects provided the annual debt service cost of such outstanding general fund appropriation debt does not exceed 3.25 percent of discretionary revenue as determined by the Controller and Director of Public Finance. Administrative Code Section 10.62(c) states that the Director of Public Finance may issue tax-exempt and taxable commercial paper notes to provide interim funds to finance the acquisition, construction and rehabilitation of capital improvements and capital equipment, subject to the project’s and financing plan’s approval by the Board of Supervisors and Mayor.

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**

**Ten-Year Capital Plan**

The City’s ten-year capital plan is updated every two years. The Capital Plan for FY 2024-2033 provides for \$527.0 million of Certificates of Participation debt (COPs) over the ten-year term, including \$60.0 million in FY 2023-24 for critical repairs projects and street resurfacing. Some capital projects that would normally be funded with cash are being deferred or considered for COPs funding due to budget constraints.

**Prior Authorizations Not Yet Issued**

The Office of Public Finance has not yet issued the COPs approved in FY 2021-22 and FY 2022-23. The Board of Supervisors authorized issuance of \$67.5 million for FY 2021-22 and \$140.0 million for FY 2022-23 (Files 21-0645 and 22-0683). The COPs proceeds were to be used for critical repair projects, recovery stimulus projects, and street repaving. According to Office of Public Finance staff, the projects are initially funded with short-term commercial paper, and the Office will issue the COPs when a sufficient percentage of project budgets have been spent.<sup>1</sup> The Office anticipates the first sale for FY 2021-22 and FY 2022-23 COPs to occur in mid-October 2023 and to finance between 19 and 35 previously approved projects.<sup>2</sup> These projects account for between \$33 million and \$117 million in total project costs and reflect between 21 percent and 73 percent

<sup>1</sup> The Internal Revenue Service requires that tax-exempt debt be spent within three years of debt issuance. Therefore, the Office of Public Finance will schedule debt issuances to ensure compliance with IRS rules.

<sup>2</sup> Projects to be financed by the first issuance are those that the Office of Public Finance determines will be able to spend funds within three years of issuance.

of \$160.8 million in total project costs across the two authorizations. The Office anticipates additional sales of series of COPs on an annual basis to finance the remaining projects. The status of projects approved by the Board of Supervisors in FY 2021-22 and FY 2022-23 is shown in Attachment I.

#### *Changes to FY 2021-22 and FY 2022-23 COPs Programs*

According to the July 14, 2023 memo from the Office of Public Finance to the Board of Supervisors (Office of Public Finance memo), \$5,093,822 was de-appropriated from the FY 2021-22 and FY 2022-23 COPs programs during the FY 2023-25 budget process, including \$1.5 million for a new childcare center at Zuckerberg San Francisco General Hospital<sup>3</sup> and approximately \$3.6 million in contingencies associated with Critical Repairs and Recovery Stimulus programs. This resulted in a reduction in total project costs funded by the two COPs issuances from \$165.9 million to \$160.8 million. Office of Public Finance staff report that this available COPs capacity could be used to fund projects in future years.

In addition, nine projects<sup>4</sup> that were previously part of the FY 2021-22 and FY 2022-23 COPs programs received pay-go funding from the General Fund. COPs funding totaling \$8,838,751 that was previously associated with these projects was added to the Mission Cultural Center for Latino Arts Seismic Retrofit project in exchange for an equal reduction in pay-go funding for the project. This change was cost-neutral for the COPs and pay-go programs.

### **DETAILS OF PROPOSED LEGISLATION**

The proposed ordinance would:

- authorize sale of up to \$77,170,000 of Certificates of Participation in one more series on a tax or tax-exempt basis
- authorize use of the proceeds to pay for issuance costs, capital project costs, or to retire related commercial paper
- authorize a competitive, negotiated, or direct placement sale for the COPs
- authorize the Director of Public Finance to appoint underwriters for a negotiated sale, appoint a placement agent for a direct placement or award a bid to a bidder with the lowest true interest cost for a competitive sale

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<sup>3</sup> We requested information from Public Health staff on why the childcare center project no longer required COP funding, but did not receive a response as of this writing.

<sup>4</sup> Projects include: African American Art and Culture Complex – Seismic Cost Escalation, 1099 Sunnydale – Boiler, Lakeview and Lee Steps, Operations Yard Tenant Improvements & HVAC, Sunset Blvd Hosebib Installation, Sunset Blvd Recycled Water Irrigation Improvements, Youth Guidance Center Air Exchange & Exhaust Fans, County Jail 2 Life Safety, and County Jail 5 Life Safety.

- approve the form of the Supplement to the Trust Agreement between the City and U.S. Bank National Association, as Trustee
- approve the form of the Supplement to the Property Lease between the City and U.S. Bank National Association
- approve the Supplement to the Project Lease for Laguna Honda Hospital and County Jail Complex for additional base rent
- approve the form of the preliminary and final Official Statement
- approve the form of the Official Notice of Sale and Notice of Intention to Sell the COPs
- approve the form of the Continuing Disclosure Certificate
- approve the form of a Purchase Contract for the COPs
- grant authority to City officials to modify the aforementioned documents in furtherance of the COPs sale

### **Partial Rescission of Prior Authorization**

The proposed ordinance also rescinds \$22,385,000 in a prior COP authorization. In October 2019, the Board of Supervisors authorized issuance of \$94.6 million in COPs to finance \$79,365,000 in project costs associated with the acquisition and demolition of property located at 820 Bryant Street and acquisition of property located at 1828 Egbert Avenue and 470 Sixth Street. According to Office of Public Finance staff, the \$79,365,000 in project costs were fully funded through issuance of a lower actual principal amount because the COPs were sold in May 2021 when interest rates were low, allowing for the sale to generate a premium from investors. In addition, the principal amount issued was lower than estimated due to saving on cost of issuance, commercial paper interest and fees, and the Debt Service Reserve Fund.

### **FY 2023-24 COPs Issuance**

#### *Supplement to Property and Project Leases, and Trust Agreement*

COPs are structured as a lease-lease back, in which the City leases the City-owned property to the Trustee and leases back the property. The City would enter into the one or more Supplements to existing Property and Project Leases and Trust Agreement with U.S. Bank National Association, in which the City-owned Laguna Honda Hospital campus at 375 Laguna Honda Boulevard and the San Bruno Jail Complex at 1 Moreland Drive in San Bruno would serve as the leased property to secure the proposed COPs. The City may add or substitute properties to the Master Lease as needed.

#### *Commercial Paper*

Under separate legislative approval, the City may issue commercial paper, a form of short-term debt, in advance of issuing COPs to fund project costs and then use COPs proceeds to repay related commercial debt obligations. According to the Office of Public Finance, of the \$250 million in commercial paper authority, \$185 million has been released from Controller's Reserve and \$39 million is outstanding as of July 13, 2023.

*Method of Sale*

According to Office of Public Finance staff, the Office will work with their municipal finance advisor to determine the best method of sale of the COPs, whether competitive or negotiated, based on market conditions at that time. If the City chooses to pursue a negotiated sale, as authorized by the proposed ordinance, the Office of Public Finance will use the City’s Underwriting Pool, which was selected via a competitive process.

**Projects and Uses of Proceeds**

The Capital Plan for FY 2024-2033 provided for issuance of \$130.0 million in COPs in FY 2023-24 to fund projects and File 23-0833 approves \$58.4 million to fund projects, as shown in Exhibit 1 below.

**Exhibit 1: FY 2023-24 COPs Funded Projects in Capital Plan**

<b>Project</b>	<b>Proposed COPs in Capital Plan</b>	<b>Proposed Issuance of COPs (File 23-0833)</b>
Relocation of Human Services Agency Headquarters	\$70.0 million	n/a
Critical Repairs	\$30.0 million	\$25.6 million
Street Resurfacing	\$30.0 million	\$32.8 million
<b>Total</b>	<b>\$130.0 million</b>	<b>\$58.4 million</b>

Source: Capital Plan

The projects to be funded by the proposed COPs in FY 2023-24 differ from the Capital Plan, as shown in Exhibit 1 above. According to Office of Public Finance staff, the Human Services Agency (HSA) is working with the Real Estate Division to identify alternative sites for the HSA offices located at 170 Otis Street. A potential new location for Economic Support and Self Sufficiency programs has been identified in the southeast section of the City. Pending negotiations with the property owner and estimates for tenant improvements, HSA and the Real Estate Division anticipate introducing the property acquisition to the Board of Supervisors for approval in the current fiscal year. Alternative sites for the remaining two programs located at 170 Otis Street (Administration and Family & Children’s Services) have not yet been identified.

In addition, the proposed COPs for Critical Repairs (\$25.6 million) is \$4.4 million less than what is proposed in the Capital Plan (\$30.0 million) based on funding decisions which prioritized investments in larger capital projects during the budget process. The proposed COPs for Street Resurfacing (\$32.8 million) is \$2.8 million more than what is proposed in the Capital Plan (\$30.0 million) because \$2.8 million in cash for street resurfacing was exchanged for COPs during the budget process to free up cash for smaller projects.

Exhibit 2 below shows the sources and uses of the COPs proceeds. A description of each project and intended use is included in Appendix II.

**Exhibit 2: Sources and Uses of COPs Proceeds**

<b>Sources and Uses</b>	<b>Amount</b>
<b>Sources</b>	
COP Proceeds	\$77,170,000
<b>Total Sources</b>	<b>\$77,170,000</b>
<b>Uses</b>	
<u>Critical Repair Projects</u>	
Hall of Justice – Roof Replacement	5,000,000
City Hall – Elevator Modernization (PW Elevator Program)	3,000,000
Mission Cultural Center for Latino Arts Roof Diaphragm (Seismic)	3,200,000
Laguna Honda – Water Tank Replacement	4,100,000
JUV Elevator Modernization (PW Elevator Program)	1,750,000
Opera House Roof Replacement	7,000,000
Opera House Elevator Modernization (PW Elevator Program)	1,300,000
Public Works Elevator Program Contingency	250,000
<b>Subtotal, Critical Repair Projects</b>	<b>\$25,600,000</b>
<b>Street Resurfacing &amp; Reconstruction</b>	<b>\$32,800,000</b>
<b>Subtotal, Project Costs</b>	<b>\$58,400,000</b>
Capitalized Interest	6,782,590
Debt Service Reserve Fund	6,590,183
City Services Auditor Fee	116,800
Cost of Issuance	1,006,558
Underwriter's Discount	513,870
<b>Total Uses</b>	<b>\$73,410,000</b>
Reserve for Market Uncertainty	3,760,000
<b>Not to Exceed Amount</b>	<b>\$77,170,000</b>

Source: Office of Public Finance

**City Debt Policy**

Administrative Code Section 10.62 limits debt service of COPs and other lease financing to 3.25 percent of discretionary General Fund revenues. According to the projections provided by the Controller's Office, the incremental increase in debt service from the proposed COPs as well as planned COPs through FY 2032-33 will be below that cap.

**FISCAL IMPACT****Debt Service**

According to the Office of Public Finance, estimated average annual debt service on the estimated \$73.4 million COPs issuance amount is approximately \$6.8 million. Total debt service over the anticipated 20-year term is approximately \$136.3 million, which includes approximately \$73.4 million in principal and \$62.8 million in interest and true interest cost of 6.44 percent. Debt service will be paid from the City's General Fund.



The FY 2023-24 – FY 2024-25 budget appropriated the proceeds of the proposed COPs.

**RECOMMENDATION**

Approve the proposed ordinance.

**Attachment I: FY 2021-22 and FY 2022-23 COPs Projects**

Dept	Project	Description	Est. Completion Date	Status	COPs Amount	CP % Spent	Total Budget	Total % Spent
<b>FY 2021-22 Projects</b>								
<u>Critical Repairs</u>								
ADM	City Hall HVAC & Elevators	This project will fully fund the HVAC needs at City Hall, including cooling tower, heat pumps, duct work; and fund repairs to passenger elevators which fail regularly.	Dec-25	Heat Pump & Ducts Phase II= 30% construction complete Cooling Towers 100% construction complete Elevators 10% construction complete	8,275,000	0%	13,470,000	35%
ADM	1 S. Van Ness Bathrooms & Elevators	The bathroom project will convert the 2nd floor bathroom to an all gender bathroom, and fund repairs to elevators, which fail regularly.	Jul-25	Bathrooms- 80% construction Elevators- in the construction contract Bid/Award stage, and construction contract execution is anticipated by Nov 2023.	2,100,000	5%	5,687,000	35%
ADM	Hall of Justice HVAC	This project funds required HVAC related projects at the HOJ for which emergency repairs are currently required. This funding will fully fund the boiler, heat exchanger, chiller projects.	Q1-26	These projects are still in development & planning phase.	4,800,000	1%	5,300,000	1%
DPH	Laguna Honda Hospital Emergency Power	The emergency electrical power designed at the Laguna is insufficient to meet the modern needs of this facility housing elderly non-ambulatory and immuno-compromised individuals. This project would install the appropriate emergency power system to ensure continuity in operations in an emergency.	Feb-25	Soliciting bids from design contractors. Construction expected to begin in Winter 2023/early 2024 be completed in 30-months.	7,600,000	0%	8,244,388	3%
DPW	Curb Ramps with Basements	City has identified several locations where installing curb ramps is complicated by sub-sidewalk basements. This funding will support	Dec-24	City already entered into a contract for the design, acquisition or construction of at least a portion of the	4,000,000	8%	4,000,000	25%

Dept	Project	Description	Est. Completion Date	Status	COPs Amount	CP % Spent	Total Budget	Total % Spent
		planning, design, and construction of curb ramps with sub-sidewalk basements.		Project for at least 5% of the costs of the Project				
DPW	Infill Sidewalks in Bayview	This project will install new sidewalks or widen existing sidewalks to address gaps in the sidewalk network through Bayview. Public Works has identified several locations throughout Bayview and will work with the district office to prioritize locations, depending on available funding.	Dec-24	City already entered into a contract for the design, acquisition or construction of at least a portion of the Project for at least 5% of the costs of the Project	2,000,000	17%	2,000,000	27%
DT	Fiber Backbone	This project would provide essential city-owned communications infrastructure to meet capacity needs and greater redundancy. The optic fiber infrastructure cannot add new locations or users because it is at capacity. The secondary routes are required to meet the mission critical phone VOIP service for departments.	Apr-24	Reimbursement requests for the remaining CP amount as this phase of the project concludes in eight months.	2,500,000	70%	2,500,000	70%
REC	Stow Lake ADA Improvements	This restores funding lost during rebalancing. This fully funds barrier removal scope that includes re-paving path around lake and replacing benches	Oct-23	Substantial completion in Aug 2023; final completion Oct 2023.	900,000	92%	2,825,000	63%
SHF	County Jail 2 Elevators*	This project will fund 4 elevators at CJ2	Mar-25	Initial assessment of elevators indicates that the current budget will only modernize 2 elevators. Freight/ inmate movement elevators have been identified as primary need. As Elevator projects moves forward, preparing RFP for	4,407,000	0%	4,000,000	0%

Dept	Project	Description	Est. Completion Date	Status	COPs Amount	CP % Spent	Total Budget	Total % Spent
				Fire Alarm Control Panel for 425 7th street. Internal survey completed, internal infrastructure can be used to support new system, new system backbone will not be necessary.				
SHF	County Jail 5 Security Electronics & Fire Safety Systems*	This project will replace the security electronics system and the fire safety system, both of which are outdated.	Mar-25	Planning Stage- Working With DPW to hire consultant to update assessment completed in 2018. Since COVID, scope of work has increased to include electronic security system for CJ3 Anne to include integration with main building security panels.	4,043,000	0%	4,450,000	0%
WAR	Davies Hall Elevators	Elevators frequently fail at Davies Hall. One elevator has been previously funded, and this project will replace the remaining two elevators.	Dec-24	Construction-Submittals & Procurement. Pre-bid meeting with the contractors end of Aug 2023.	2,200,000	0%	2,200,000	2%
DEM	Dispatch Floor Remodel	The existing City Emergency Operations Center (EOC) at 1011 Turk Street was constructed in 1997 and consists of a two-story building housing the emergency operations center, the 9-1-1 Call Center, a data center for emergency communications, administrative offices, meeting rooms and support space.	Jul-24	Under Construction. The General Contractor mobilized in Feb 2023, Phase 1 (DEM's Admin area remodeling) of the project was substantially completed in May 2023; Phase 2 is underway and anticipates substantial completion in Nov 2023.	1,570,700	0%	12,370,701	44%
<b>Recovery Stimulus</b>								
OEWD	SF Wholesale Produce Market (operations	This funding will address improvements to the Marshalling Yard, as well as predevelopment costs associated with	Nov-24	Contract expected in Sep 2023. \$1.8M of CP released from Controller's Reserve.	3,000,000	0%	3,500,000	29%

Dept	Project	Description	Est. Completion Date	Status	COPs Amount	CP % Spent	Total Budget	Total % Spent
	yard improvements etc.)	the 1900 Kirkwood Avenue warehouse. A key component of The SF Market’s Reinvestment Project is to repurpose the space in between the main campus’ four warehouses. This work requires removing existing structures and reworking drainage and circulation. New open docks will be provided under the Interstate 280 overpass. New safety improvements will be implemented.						
DPW	Better Market Street (pedestrian & streetscape improvements)	Pedestrian and streetscape improvements between 5th - 8th streets including curb ramps, granite curb, street trees, sidewalk pavers, bike racks and seating.	Dec-24	City has already entered into contract for the construction of BMS Phase 1, which includes replacing traffic signals, constructing ADA-compliant curb ramps, widening the sidewalk at four corners to reduce crossing distances, repaving the curb lane and intersections, and installing soil cells to help improve the urban forest.	3,000,000	0%	63,987,806	1%
<b>Subtotal, FY 2021-22 Projects</b>					<b>50,395,700</b>	<b>7%</b>	<b>134,534,895</b>	<b>14%</b>
<b>FY 2022-23 Projects</b>								
<b>Critical Repairs</b>								
MOD	GGP Barrier Removals - Public RoW - JFK Drive & Stanyan Curb	ADA Facilities RPD: Stanyan Curb ramp installation/repair and JFK Dr Curb ramp installation/repair. Complaint-based.	Sep-24	Design phase	900,000	5%	2,250,000	3%
ADM	1 SVN Fire Detection System Emergency Equipment	1 SVN Fire Detection Emergency Equipment - emergency generator and diesel fire pump motor replacement	Jul-25	In planning stage and design contract is anticipated by Jan 2024	1,000,000	0%	1,000,000	0%
ADM	1650M - Chiller/Cooling Tower	Mechanical Equipment Refurbishment	Dec-24	Design contract is anticipated by Sep 2023	500,000	0%	500,000	0%

Dept	Project	Description	Est. Completion Date	Status	COPs Amount	CP % Spent	Total Budget	Total % Spent
ADM	25 VN - Elevator Controls	25VN Elevator Control Upgrade	Jun-26	In Design stage through RED funded MOU with DPW. RED has transferred funds over to DPW.	1,000,000	0%	3,000,000	1%
ADM	50 Raymond - Exterior Siding Replacement	Replacement of building siding and waterproofing	Aug-24	In Design phase	500,000	0%	1,000,000	2%
ADM	555 7th Street Elevator Project & Exterior Improvements	Sole elevator needs to be replaced; The exterior siding has dry rot and is allowing water inside the building; needs replacement and painting.	Q4-26	RED has entered into an MOU with DPW	2,250,000	38%	2,750,000	61%
ADM	City Hall - Flat Roof - Waterproofing	Flat roof needs additional waterproofing & repairs	Dec-2026	Awaiting DPW Resource Assignment to start design	2,500,000	0%	2,500,000	0%
ADM	Civic Center - Steam Loop Renewal	Due to holes and old piping, the steam loop has numerous and dangerous leaks which pose an imminent threat to the system and the well-being of persons and property in the vicinity of same. Said piping needs to be replaced.	Jun-2024	Third party contractor to complete. Construction anticipated to start in October.	3,738,000	0%	3,738,000	7%
ADM	Underground Fuel Tank Replacements	Mandated replacement of aging tanks for diesel and gasoline fuel at the DPW yard and HOJ station. The aging tanks will all be replaced with double-walled tanks with similar capacities. This funds approximately 50% of the total need.	Jan-26	Expenditures relating to the project planning and part of the project design have been made and are expected to be reimbursed. \$775,000 released from Controller's Reserve	9,225,727	0%	9,500,000	2%
DPH	Clin Lab Automation System	The old lab equipment is beyond end of life and has failed several times. Through the design process it was discovered that the new equipment is approximately 3X larger than the existing and the existing is required to remain operational during the new installation and equipment validation.	May-24	Design complete, permitted and construction underway.	4,000,000	28%	8,500,000	43%

Dept	Project	Description	Est. Completion Date	Status	COPs Amount	CP % Spent	Total Budget	Total % Spent
DPH	ZSFG Improvements (Kitchen Upgrade and HVAC Upgrade) (Fire alarm Backbone and infrastructure) (Freight Elevator Modernization)	Kitchen last updated in 1982. Flooring, Ceiling, Mechanical and electrical work required throughout. Food storage areas require renovation and upgrade. Regulatory compliance issue with ceiling type and air handling. This is an OSHPD Project. Failing outdated Fire alarm infrastructure needs to be replaced. The existing system was installed in the original 1970's project. Freight elevator modernization, cab replacements, security upgrades, loading dock security gates, point of entry tracking. Architectural, Mechanical, Electrical, IT/IS, other trades.	Feb-25	Freight Elevator: re-starting design in Sep 2023 following some internal Engineering issues since resolved. Fire Alarm Backbone/Infra: currently in Design with DPW Kitchen: 25% SD (Design) complete	7,000,000	0%	9,912,497	3%
DPW	Curb Ramps with Basements	Planning, design, and construction of curb ramps with sub-sidewalk basements.	Dec-25	City already entered into a contract for the design, acquisition or construction of at least a portion of the Project for at least 5% of the costs of the Project.	3,000,000	0%	3,000,000	0%
JUV	YGC Elevator Modernization, Air Exchange & Exhaust Fans	Air exchange handler and exhaust fans are original equipment, dated 1949, and functioning at less than 50% capacity in numerous buildings. The severe lack of proper air exchange and exhaust functionality compromises the air quality for employees and the public in the YGC building; limits filtration of outside air contaminates; and allows buildup of indoor air contaminates, prevents proper air circulation; traps heat, humidity, and odors in the	Jun-26	The City has entered into contract for the design service of the Project, but it has not completed 5% of the costs of the Projects.	1,000,000	0%	1,476,000	0%

Dept	Project	Description	Est. Completion Date	Status	COPs Amount	CP % Spent	Total Budget	Total % Spent
		buildings; and creates uncontrolled cold air drafts in different areas in the buildings. Capital funding was provided to modernize only one (1) of three (3) elevators in the Juvenile Probation Administration Bldg. that serves the general public including ADA members. The public and staff with physical mobility disabilities are negatively impacted from the requirement to find some method of getting from their building entry point to the only operational elevator.						
REC	RP ADA TPC Harding Park	The project at Harding Park is being conducted as part of the City and County of San Francisco's ADA Transition Plan to meet the requirements of the Americans with Disabilities Act per 28 CFR Part 35 of Title II.	Sep-24	Design phase	900,000	9%	1,800,000	9%
SHF	425 7th St Roof Replacement & Building Management System	425 7th street/County Jail No. 2 is in need of roof replacement and a modern BMS to coordinate and conduct day-to-day operations in an efficient manner.	Mar-25	The budget was corrected during the last cycle and funds are on reserve. This project carried over from last year when the FSP codes were loaded incorrectly. Waiting to see final budget to be loaded into system.	4,825,000	0%	4,825,000	0%
WAR	Davies Hall Elevator Modernization	Continued modernization of Davies Symphony Hall elevators.	Dec-24	Construction-Submittals & Procurement	2,200,000	0%	2,200,000	0%



Dept	Project	Description	Est. Completion Date	Status	COPs Amount	CP % Spent	Total Budget	Total % Spent
<b>Recovery Stimulus</b>								
ART	MCCLA - Seismic Retrofit	This is the remaining scope of work to complete seismic retrofit of MCCLA.	Feb-27	Total COPs amount includes \$8,838,751 that was previously Pay-Go. The City plans to engage the services of a Design Build Contract to deliver the project towards the mid-2024. Construction is expected to start in 2025.	18,418,751	0%	20,355,000	4%
DPH	LHH - Simon Cooling Center	Installation of cooling capability to an existing ventilation system in order to convert the existing gathering space into a safe space for patients. The proposed cooling station will fill the cooling needs in heat waves until the ongoing HVAC upgrades are complete.	Oct-26	Contract expected in August 2024 for construction	975,000	0%	1,550,000	0%
DPW	Innes Ave Rebuild in Bayview Hunters Point	Entire segment of Innes Ave between Toland and Rankin must be redesigned and rebuilt to City standards, since Jerrold Ave will no longer be accessible once the Produce Market Expansion is complete.	Mid/Late 2027	Project at 10% Design (conceptual) and on HOLD. Design to resume pending identification of remaining construction funding. Estimated design time remaining is approximately ~2 years.	5,000,000	0%	25,000,000	1%
DPW	Japantown Buchanan Mall Improvements Project	This is a project to implement improvements to the Japantown Buchanan Mall, between Post and Sutter, a culturally significant public plaza. Improvements included replacing the side walkways, landscaping with culturally relevant plants, enhancing and restoring historic public artwork, and installing new pedestrian lighting.	Mar-26	Construction summer 2025; 2/3 soft costs, 1/3 to construction	2,000,000	0%	7,500,000	2%

Dept	Project	Description	Est. Completion Date	Status	COPs Amount	CP % Spent	Total Budget	Total % Spent
DPW	Street Tree Planting & Establishment - Equity Priority Neighborhoods	Plant and establish new and replacement trees in equity priority neighborhoods with low tree canopy coverage such as the Tenderloin, Mission, SOMA, Excelsior, Bayview.	Jun-24	Construction spring 2025; \$800k already spent, will bill in fall 2023, will use on planting instead of 3-year establishment	2,000,000	0%	2,000,000	26%
TIS	DT Fiber to Public Housing	This project will build a fiber network to support free Internet access to tenants in public and affordable housing sites, navigation centers and homeless and emergency shelters throughout the City.	Jun-26	Will seek release of CP funds in FY 23-24. Continuing to seek funding for remainder of project through Capital Budget & outside sources.	2,500,000	0%	49,000,000	22%
WAR	Opera House Roof Replacement	Phase 1 funding to begin project to replace all metal roofing from coping at top parapet down to coping at lower parapet; replace built-up roof at Annex building only.	Dec-26	Design phase	5,000,000	0%	5,000,000	0%
<b>Street Repaving</b>								
DPW	Street Resurfacing & Reconstruction	Resurfacing the roadway at various locations throughout the City	Sep-25	First \$11.5M in progress, spending usually in last quarter	30,000,000	0%	75,000,000	58%
<b>Subtotal, FY 2022-23 Projects</b>					<b>110,432,478</b>	<b>2%</b>	<b>243,356,497</b>	<b>25%</b>
<b>Total</b>					<b>160,828,178</b>	<b>3%</b>	<b>377,891,392</b>	<b>21%</b>

Source: Office of Public Finance

Notes: CP refers to commercial paper

**Attachment II: Proposed FY 2023-24 COPs Projects**

Dept	Project	Description	Est. Completion Date	Status	COPs Amount	Total Budget
<b>Critical Repairs</b>						
ADM	HOJ – Roof Replacement	HOJ Roof is original to opening of the facility and in need of replacement.	Q4-26	Needs funding approvals	5,000,000	5,000,000
ADM	City Hall – Elevator Modernization (PW Elevator Program)	Modernization of the second batch of 3 out of 8 passenger elevators which are obsolete and experience repeated failures.	Jul-26		3,000,000	3,000,000
ART	MCCLA Roof Diaphragm (Seismic)	This additional funding will go towards out of plane anchorage and diaphragm strengthening for the MCCLA roof, including the reconfiguration and removal of specific rooftop mechanical equipment, primarily consisting of HVAC equipment. This funding is part of a larger program to seismically strengthen MCCLA.	Feb-27	The City plans to engage the services of a Design Build Contract to deliver the project towards the mid-2024. Construction is expected to start in 2025.	3,200,000	3,200,000
DPH	LHH – Water Tank Replacement	Project will replace one of two 300,000 gallon water tanks due to advanced corrosion. The tank is part of a redundant water holding system, meaning a single tank complies with LHHRC water needs and that is also used as emergency water supply, but two are provided to maintain water needs should one fail. The project will replace the water tank, provide a new access road, provide motion sensor lighting, provide a camera for sheriff monitoring along with a security fence at the tank perimeter. Both the new and the tank to remain will be painted.	Dec-24	Design contractor selected; construction contractor will be selected in Fall 2023/Winter 2023. Construction will be complete in Winter 2023.	4,100,000	5,629,734

Dept	Project	Description	Est. Completion Date	Status	COPs Amount	Total Budget
JUV	JUV Elevator Modernization (PW Elevator Program)	Modernization of one passenger elevator and two bathrooms	Jun-26	The City has entered into contract for the design service of the Project, but it has not completed 5% of the costs of the Projects.	1,750,000	4,500,000
WAR	Opera House Roof Replacement	Replace all metal roofing from coping at top parapet down to coping at lower parapet; replace built-up roof at Annex building only.	Dec-26	Design phase	7,000,000	7,000,000
WAR	Opera House Elevator Modernization (PW Elevator Program)	Modernize one existing passenger elevator to current building code and to extend its service by 20 years	Dec-26	Design phase	1,300,000	1,300,000
-	PW Elevator Program Contingency	Contingency for cost overruns for elevator projects.			250,000	250,000
<b>Street Repaving</b>						
DPW	Street Resurfacing & Reconstruction	Resurfacing the roadway at various locations throughout the City	Sep-25	Using FY 23 COP funds first	32,800,000	75,000,000
<b>Total</b>					<b>58,400,000</b>	<b>104,879,734</b>

Source: Office of Public Finance

<b>Item 8</b> <b>File 23-0811</b>	<b>Department:</b> Public Works (DPW), Public Health (DPH)
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**EXECUTIVE SUMMARY**

**Legislative Objectives**

- The proposed resolution would approve the Department of Public Works’ (DPW) emergency declaration for repair work at LHH, estimated to cost in excess of \$250,000.

**Key Points**

- Following loss of Laguna Honda Hospital’s (LHH) Medicaid and Medicare certification in April 2022, the City entered into a settlement agreement that allowed Medicaid and Medicare payments for existing residents through March 2024. In August 2023, LHH was granted recertification in the Medicaid Provider Program only, thus enabling Medicaid funding for eligible patients beyond March 2024. The hospital’s Medicare recertification will be submitted on September 17, 2023.
- The proposed emergency declaration is requested for repair work at LHH facilities that is required for Medicaid and Medicare certification.

**Fiscal Impact**

- Public Works provided construction costs ranging from \$18.6 million to \$28.4 million for eight recertification projects. Project costs are funded by a combination of General Fund operating and capital planning allocations in the Laguna Honda budget, General Fund debt, and surplus capital funds remaining from canceling a Laguna Honda capital project.

**Policy Consideration**

- The proposed resolution does not limit the scope of the emergency authority to specific projects or spending amounts. Any contracts awarded under this authority would be exempt from all requirements in Administrative Code chapters 6, 12A, 12B, 12C, & 14B.
- Although deficient conditions motivating all projects were identified years prior to the immediate re-certification process that began in April 2022, DPH considers their completion to be an emergency because they are critical to receiving and maintaining Medicaid & Medicare certification and funding.

**Recommendations**

- The Board should consider limiting the scope of the emergency contracting authority in the following ways: (a) amend the proposed resolution to specify the projects that qualify for emergency contracting procedures and/or (b) add a not to exceed amount of \$28,400,000.
- Approval of the proposed resolution is a policy matter for the Board of Supervisors.

## MANDATE STATEMENT

Administrative Code Section 6.60(d) states that contracts entered into for emergency work that are more than \$250,000 are subject to Board of Supervisors approval. Prior to the commencement of emergency work above the \$250,000 threshold, the Department must also secure approval in writing from the Mayor, the President of the Board, or the Commission. If the emergency does not permit approval of the emergency determination by the Board of Supervisors before work begins, the Department head must submit a resolution approving the emergency determination to the Board of Supervisors within 60 days of when the Department declares an emergency.

## BACKGROUND

Laguna Honda Hospital and Rehabilitation Center (LHH) is a hospital operated by the Department of Public Health (DPH) that provides skilled nursing services and acute medical and rehabilitation services for seniors and adults with disabilities. In April 2022, the California Department of Public Health (CDPH) and the Centers for Medicare and Medicaid Services (CMS) determined LHH out of compliance with Medicare regulations and terminated their CMS Medicare and Medicaid Provider Agreements and its Medicare and Medicaid program certification. The City, CDPH, and CMS later entered into a settlement agreement that allowed Medicaid and Medicare payments for existing residents through March 2024. In August 2023, LHH was granted recertification in the Medicaid Provider Program only, thus enabling Medicaid funding for eligible patients beyond March 2024. The hospital's Medicare recertification will be submitted on September 17, 2023.

As part of obtaining Medicare and Medicaid recertification and maintaining that status, LHH must comply with all Medicare regulations and pass certification surveys. The most recent survey occurred in June 2023. A final survey is scheduled to take place between August 2023 and September 2023. The proposed emergency declaration is requested for work at LHH facilities that were deemed as "non-conforming conditions" by LHH and DPW and/or cited by CDPH and CMS and required to ensure continued Medicaid and Medicare certification.

Following a request from the San Francisco Department of Public Health, DPW declared an emergency at Laguna Honda on May 16, 2023. The proposed resolution for Board of Supervisors approval of that emergency was introduced on July 11, 2023, within the sixty-day timeframe required by Administrative Code Section 6.60(d).

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Department of Public Works' (DPW) emergency declaration for repair work at LHH, estimated to cost in excess of \$250,000. The proposed resolution does not limit the scope of the emergency authority to specific projects or spending amounts.

According to DPW, the repair work needed to ensure compliance with Medicare regulations includes the following:

- **Kitchen Freezer #3:** remodel and replace Freezer #3 at Laguna Honda Kitchen due to excessive ice accumulation in order to reestablish additional cold storage capacity, as required for CMS recertification;
- **Hospital HVAC Controls:** Address HVAC system deficiencies (as identified by CDPH annual surveys), which include ensuring system has ability to reduce temperatures to safe levels and meet fire safety standards;
- **Fuel Line Replacement:** Replace existing leaking underground fuel line system that provides fuel to emergency detectors;
- **Pharmacy HVAC Upgrade:** Addition of HVAC unit with greater air change capacity for operation of pharmacy compounding rooms due to regulatory upgrade requirements and LHH cited as being out of compliance;
- **Stationary X-Ray Replacement:** Replace X-Ray station which has reached end of life to meet regulatory requirements;
- **Water Tank Replacement:** Replace one of two 300,000-gallon water storage tanks which supply all potable and fire water to the LHH campus;
- **Kitchen Floor Replacement:** Replace flooring system in kitchen areas on the second level of the Link Building on the LHH campus, which is causing leaks in the ceiling of the first-floor cafeteria and must be replaced to meet code, health and safety requirements as part of the recertification process. The project entails standing up a temporary kitchen while permanent kitchen floor is replaced.
- **Emergency Power Replacement:** provide the hospital with generator backup power to existing normal panelboards to several buildings by new automatic transfer switches with bypass isolation switches and feeders and wiring. Installation of new ATS switches with bypass isolation and feeders to be done in 6 phases.

## FISCAL IMPACT

Exhibit 1 below summarizes the current estimated ranges cost of the emergency work and status of each project.

**Exhibit 1: Project Status and Costs**

<b>Project</b>	<b>Estimated Emergency Work Costs (in millions)</b>	<b>Status</b>	<b>Funding Source</b>
Kitchen Freezer #3	\$0.4 – \$0.7	Contractors have been selected. Timeline for work is August 2023-Sept 2023. (Deficiency identified in August 2022)	Reallocation of DPH funds from a completed Boiler Replacement project and the canceled LHH Remodeling/Loading Dock project
Hospital HVAC Controls	\$2.8 – \$4.2	Phase 3B (design) is ongoing and expected to be complete in May 2024. Phase 4 (construction) is anticipated to be completed in June 2025. (Deficiency identified in 2010)	Reallocation of DPH funds from cancelled Remodeling/Loading Dock project
Fuel Line Replacement	\$1.8 – \$2.5	Not started. Timeline for work is September 2023 - January 2024. (Deficiency identified in January 2023)	Reallocation of DPH funds from cancelled Remodeling/Loading Dock project
Pharmacy HVAC Upgrade	\$1.4 – \$2.5	Design contractor selected; construction contractor will be selected in Winter 2023/Spring 2024. Construction will be complete in Summer 2024. (Deficiency identified in 2018)	General Fund Project
Stationary X-Ray Replacement	\$1.1 – \$1.8	Design contractor selected; construction contractor will be selected in Fall 2023/Winter 2023. Construction will be complete in Summer 2024. (Deficiency identified in 2021)	Reallocation of DPH funds from cancelled Remodeling/Loading Dock project
Water Tank Replacement	\$2.5 – \$3.2	Design contractor selected; construction contractor will be selected in Fall 2023/Winter 2023. Construction will be complete in Winter 2023. (Deficiency identified in 2017)	General Fund and Certificates of Participation
Kitchen Floor Replacement	\$5.3 – \$8.1	Design contractor selected. Construction contractor will be selected Spring/Summer 2024 and construction expected to be complete Summer 2025. (Deficiency identified in 2021)	General Fund and surplus funds from the LHH Remodel/Loading Dock project
Emergency Power Replacement	\$3.5 – \$5.6	Soliciting bids from design contractors. Construction expected to begin in Winter 2023/early 2024 and be completed in 30-months.	Certificates of Participation
<b>Range of Emergency Work Cost</b>	<b>\$18.6 – \$28.4</b>		

Source: Public Works, construction costs only



As shown above, Public Works provided construction costs ranging from \$18.6 million to \$28.4 million for all eight projects for recertification, with total project costs ranging from \$26.5 million to \$40.5 million.<sup>1</sup>

**Funding Sources**

Project costs are funded by a combination of General Fund operating and capital planning allocations in the Laguna Honda budget, General Fund debt,<sup>2</sup> and surplus capital funds remaining from canceling the Laguna Honda loading dock project. In addition, Public Works states that none of the emergency repair work costs will later be reimbursed by the Federal Government or the State.

**POLICY CONSIDERATION**

**Emergency Declaration Waives Procurement Regulations**

By approving the proposed resolution, the Board of Supervisors is approving an open-ended emergency work authorization for repair projects at Laguna Honda related to maintaining the hospital’s compliance with Medicare and Medicaid regulations. Unlike other emergency declarations the Board has considered, there is no not to exceed amount that limits the amount of emergency work covered by the waivers. The authorization includes the projects described in this report but could be used for other Laguna Honda Medicare/Medicaid regulation compliance projects. The purpose of the emergency authorization is to expedite procurement of design, construction, and construction management contractors. Any contracts awarded under this authority would be exempt from all requirements in the following Administrative Code chapters:

- Chapter 6 (Public Works Contracting Policies & Procedures)
- Chapter 12A (Human Rights Commission)
- Chapter 12B (Nondiscrimination in Contracts)
- Chapter 12C (Nondiscrimination in Property Contracts)
- Chapter 14B (Local Business Enterprise Utilization)

Administrative Code Section 6.60(e) states that Departments contracting under an emergency declaration should still “make every effort” to comply with Chapters 12A, 12B, 12C and 14B.

*Public Works Emergency Contracting Procedures*

Public Works has pursued competitive solicitations for the emergency work contractors selected so far but could award them on a sole source basis under the emergency authority provided by Administrative Code Section 6.60. In May 2023, the Interim Director of Public Works established procurement procedures for contracts procured under the emergency authority provided by Administrative Code Section 6.60. The procedures require emergency work be overseen by a

<sup>1</sup> All estimated project costs are un-escalated and are valid until end of first quarter of CY 2024.Total project costs include design and project delivery costs.

<sup>2</sup> File 23-0816 is an ordinance pending Board of approval that would authorize Certificates of Participation, including \$4.1 million to fund the Water Tank Replacement Project and \$7.6 million for the Emergency Power project.

project manager, independent cost estimates, attempting to solicit quotes for at least three contractors, working with the Contract Monitoring Division to conduct vendor outreach, and posting a list of selected contractors on the DPW website. Public Works will provide bi-annual summary to the San Francisco Public Works Commission on all emergency declarations and contracts awarded.

### **Some Projects Are Ongoing or Will Not Begin in 2023**

In addition, two projects listed in this report, Hospital HVAC Control and Pharmacy HVAC Upgrade have been ongoing since 2016 and 2018, respectively. Public Works is in the process of selecting a design- contractor for the Kitchen Floor Replacement project, however a construction contractor will not be selected until April 2024 at the earliest, according to Public Works staff. Although deficient conditions motivating all projects were identified years prior to the immediate re-certification process that began in April 2022, DPH considers their completion to be an emergency because they are critical to receiving and maintaining Medicaid & Medicare certification and funding.

### **Policy Options**

Rather than approve an open-ended emergency declaration for all repair work related to Laguna Honda, the Board should consider limiting the scope of the emergency contracting authority in the following ways: (a) amend the proposed resolution to specify the projects that qualify for emergency contracting procedures and/or (b) add a not to exceed amount of \$28,400,000, the estimated total construction cost of all eight projects, according to DPW staff.

As is typical for other emergency work, the Department may seek Board approval for additional emergency spending once costs are better defined. This would provide additional oversight over the repair work at Laguna Honda and provide an opportunity for the Department to procure contractors using the City's standard procurement procedures.

## **RECOMMENDATIONS**

1. The Board should consider limiting the scope of the emergency contracting authority in the following ways: (a) amend the proposed resolution to specify the projects that qualify for emergency contracting procedures and/or (b) add a not to exceed amount of \$28,400,000.
2. Approval of the proposed resolution is a policy matter for the Board of Supervisors.