CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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April 18, 2014

TO: Budget and Finance Sub-Committee

FROM: Budget and Legislative Analyst

SUBJECT: April 23, 2014 Budget and Finance Sub-Committee Meeting

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Items 1 and 2 Files 14-0233 and 14-0234	Departments: Human Services Agency (HSA)

EXECUTIVE SUMMARY

Legislative Objective

File 14-0233 is an ordinance amending the FY 2013-14 and FY 2014-15 Annual Salary Ordinance to reflect the addition of 68 new positions (16.85 full-time equivalent positions [FTEs] in FY 2013-14 and 67.40 FTEs in FY 2014-15) at the Human Services Agency.

File 14-0234 is an ordinance appropriating $31,526,350 of new State and Federal revenues to the Human Services Agency (HSA) to support program expenditures in FY 2013-14.

Key Points

- The $31,526,350 in new State and Federal revenues are available to implement changes in law and / or additional mandates being placed on five HSA programs: In-Home Supportive Services (IHSS), CalWORKS, CalFresh, Family and Children's Services, and CalWIN. The proposed ordinance would appropriate $31,526,350 to pay for various program expenditures including contractor payments, equipment, technical projects, client services, training, and marketing.
- The 68 requested new positions are requested to support the increased work associated with new State and Federal revenues tied to changes in law and additional program mandates. The new positions will result in HSA providing new and enhanced services.

Fiscal Impact

- No General Fund monies are being requested for the supplemental appropriation. According to HSA, the new State and Federal revenues are ongoing appropriations. The requested $31,526,350 appropriation would increase HSA's FY 2013-14 budget by approximately 4.5%, from $698,924,355 to $730,450,705.
- The salary and benefit costs for the proposed 16.85 FTEs in FY 2013-14 would be funded by HSA existing salary savings in the HSA FY 2013-14 budget rather than by the proposed supplemental appropriation. According to HSA, ongoing State and Federal funding will support these positions in FY 2014-15 and future years. The 68 requested positions will bring HSA's total number of authorized positions to 2,126 from 2,058, representing an increase of 3.3%.

Recommendations

- Amend the proposed appropriation ordinance (File 14-0234) to reduce the revenue and expenditures appropriations by $134,958, as specified in Table 5 below, which would reduce the (a) CalWORKS appropriation by $100,000 for Welfare-to-Work Database, (b) the CalFresh appropriation by $22,500 for Marketing Training and Outreach, and (c) the Family and Children's Services appropriation by $12,458 for training.
- Amend the proposed salary ordinance (File 14-0233) to adjust the hire date for all requested positions from April 1, 2014 to May 1, 2014, reducing the total number of FTEs in FY 2013-14 by 5.4 FTEs from 16.85 FTEs to 11.45 FTEs, as reflected in Table 9 below and in the Attachment to this report.
- Amend the proposed salary ordinance (File 14-0233) (a) to reduce the total number of annualized HSA positions by 27 from 68 to 41, and (b) to reduce the total number of FTEs in FY 2013-14 by an additional 4.69 FTEs from 11.45 FTEs to 6.76 FTEs, as reflected in Table 9 below and in the Attachment to this report, for a total FTE reduction of 10.09 FTEs from 16.85 FTEs to 6.76 FTEs.
- Approve the proposed ordinances as amended.

MANDATE STATEMENT

Mandate Statement

In accordance with Charter Section 9.105, after the Controller certifies the availability of funds, amendments to the Annual Appropriation Ordinance are subject to Board of Supervisors approval.

Administrative Code Section 10.04 specifies that a salary ordinance identifying the number and rates of compensation for positions created is subject to approval by the Board of Supervisors.

DETAILS OF PROPOSED LEGISLATION

File 14-0234 is an ordinance appropriating $31,526,350 of new State and Federal revenues to the Human Services Agency (HSA) to support program expenditures in FY 2013-14. An overview of the proposed supplemental appropriation is shown in Table 1 below. These new State and Federal revenues are to implement State and Federal changes in law and / or additional mandates being placed on various HSA programs, and will result in HSA providing new and enhanced services. A brief description of the relevant programs and reasons for funding availability is also provided below. HSA was first notified by the State Department of Social Services in the fall of 2013 about the additional funding.

Table 1: Overview of HSA Supplemental Appropriation

Source of Funds	
State In-Home Supportive Services (IHSS) Payment	$27,000,000
State IHSS Administrative Revenue	184,992
State and Federal CalWORKS Revenue	1,103,718
State and Federal CalFresh (Food Stamps) Revenue	231,625
State and Federal Family and Children's Services Revenue	1,039,305
State and Federal CalWIN Revenue	1,966,710
TOTAL	**$31,526,350**
Use of Funds	
IHSS Payments	$27,000,000
IHSS Technology and Equipment	184,992
CalWORKS Services and Technology	1,050,357
CalFresh Marketing and Training	272,500
Family and Children's Services Technology, Services, and Training	1,039,304
CalWIN Technology, Equipment, Services, Training	1,979,197
TOTAL	**$31,526,350**

In-Home Supportive Services (IHSS) is a Federal, State, and locally-funded program administered at the county level. The IHSS Program provides in-home services such as personal care and household chores to eligible aged, blind, and/or disabled individuals as an alternative to out-of-home care or institutional placement.

Additional funding is available through a new Maintenance of Effort (MOE) requirement implemented by the California Department of Social Services (CDSS), as defined in recent State legislation (SB 1036 and AB 1471)[1]. Under the new MOE, both expenditures and revenues increase at the County level. Funding is also available to meet State-mandated performance measures for timely client intake and assessment, detailed in the Welfare and Institutions Code.

California Work Opportunity and Responsibility to Kids (CalWORKS) is a welfare program that provides financial support and services to eligible California families. Funding is available to help counties comply with mandates defined in new CalWORKS legislation (SB 1041 and AB 74) related to work participation requirements, assessment, and services.

CalFresh, known nationally as the Supplemental Nutrition Assistance Program (SNAP), is a Federally mandated, State-supervised, and county-operated government program that helps low-income individuals and families buy food. Additional funds are available to meet CDSS and other State goals for increased CalFresh enrollment and participation.

Funding is also available to CalWORKS and CalFresh to meet the increased coordination and integration requirements mandated by the Federal Affordable Care Act, as benefit programs merge eligibility determination, record maintenance, and case management functions. The changes required in HSA's service model will be managed by a new, technically focused inter-program staffing group called the Service Integration Group.

Family and Children's Services is the County's main child welfare and protective services program. Revenues are available from State and Federal sources, including the state's 2011 Protective Services Realignment[2], to meet the requirements of the 2011 Katie A. settlement agreement, which mandates increased and improved services for foster care youth, and the 2011 California Fostering Connections to Success Act (AB 12), which extended payment benefits and transitional support services to eligible minors.

California Work Opportunity and Responsibility to Kids Information Network (CalWIN) is a Statewide Automated Welfare System (SAWS) used by eligibility staff in 18 counties to maintain welfare case data, determine benefits eligibility, and distribute welfare benefits. Funding is available for technical projects that reflect changes in eligibility requirements and regulations; in particular, implementation of the Affordable Care Act requires increased county consortium expenditures and revenues.

File 14-0233 is an ordinance amending the FY 2013-14 and FY 2014-15 Annual Salary Ordinance to reflect the addition of 68 new positions (16.85 full-time equivalent positions [FTEs] in FY 2013-14 and 67.40 FTEs in FY 2014-15) at the Human Services Agency. According to HSA, these positions are needed to implement the work associated with the increased state and federal revenues described above. The new positions will provide new and enhanced services in

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[1] The main intent of the legislation was to improve health outcomes and patient satisfaction for clients while achieving overall health-care cost savings by moving away from institutional care to in-home services.

[2] Per HSA, "In 2011, the State realigned various public safety programs and allocations, including foster care, adoptions, child welfare services, and adult protective services. The State created a permanent fund structure with a dedicated account and funding stream (consisting of vehicle and sales tax revenue) that is restricted to these programs. In 2012, the Governor proposed and voters approved a ballot measure that would place key realignment provisions in the state Constitution to ensure that counties receive ongoing funding and protections against certain unanticipated costs."

accordance with recent State and Federal changes in law and new program mandates also described above. A brief summary of the requested positions by program is shown in Table 2 below.

Table 2: Overview of Positions in HSA Salary Ordinance Amendment

Program	FY 13-14 Total Requested FTE	FY 14-15 Total Requested FTE	Number of Requested Positions
IHSS Admin	2.75	11	11
CalWORKS	5.6	22.4	23
CalFresh	2.25	9	9
Family and Children's Services	3.5	14	14
Service Integration	2.75	11	11
TOTAL	**16.85**	**67.4**	**68**

FISCAL IMPACT

Supplemental Appropriation: Source of Funds

HSA requests the appropriation of $31,526,350 in State and Federal revenues for FY 2013-14. According to HSA, all proposed funds will be either spent or encumbered by June 30, 2014. Any unexpended funds as of June 30, 2014 will be carried forward to FY 2014-15 to provide the relevant proposed services. A line-item description of the relevant funding sources is provided in Table 3 below.

Table 3: Source of Funds

Sources	Amount
In-Home Supportive Services	
IHSS Public Authority (State)	22,900,000
IHSS Contract Mode (State)	4,100,000
IHSS Admin (State/Federal)	184,992
Subtotal	27,184,992
CalWORKS	
Welfare To Work (State/Federal)	1,103,718
Subtotal	1,103,718
CalFresh	
Food Stamps (Federal)	231,625
Subtotal	231,625
Family and Children's Services	
Foster Care (Federal)	62,937
Children's Services (Federal)	204,546
CWS Health-Related Title XIX[3] (Federal)	47,203
Realignment Revenues (State)	724,619
Subtotal	**1,039,305**
CalWIN	
CalWIN (State)	1,966,710
Subtotal	1,966,710
Total Appropriation of Revenues	**$31,526,350**

Approximately 86.2% of the available funds, or $27,184,992 of the requested $31,526,350, comes from IHSS to implement the State's new Maintenance-of-Effort requirement. The remaining approximately 13.8% of available funds, or $4,341,358, comes from a mix of four programs' funding sources: CalWORKS, CalFresh, Family and Children's Services, and CalWIN.

No General Fund monies are being requested for this supplemental appropriation. According to HSA Budget Director Derek Chu, these new State and Federal revenues are ongoing appropriations, implementing changes in law and / or additional mandates being placed on various HSA programs, and will result in HSA providing new and enhanced services.

Supplemental Appropriation: Use of Funds

As shown in Table 4 below, the proposed ordinance would appropriate $31,526,350 from the new State and Federal revenues described above to five different HSA programs to pay for various expenditures including contractor payments, equipment, technical projects, client services, training, and marketing.

[3] Title XIX is federal funding that provides partial coverage to Medi-Cal eligible or potentially eligible dependent children for health, mental health, substance abuse treatment, and health-related social services.

Table 4: Uses of Funds

Uses	Amount
In-Home Supportive Services	
New Maintenance of Effort Contractor Payments	$27,000,000
Laptops, Cell phones, & Data plans	184,992
Subtotal	**27,184,992**
CalWORKS	
Family Services	201,191
Additional subsidized child care slots (+32)	103,333
Additional subsidized employment slots (+70 to 100)	145,833
Welfare-to-Work Database	600,000
Subtotal	**1,050,357**
CalFresh	
Marketing, Training, & Outreach	272,500
Subtotal	**272,500**
Family and Children's Services	
Assessment, Access, & Service Expansion	104,167
Children's Receiving Center	500,000
Laptops and service plans	352,584
Training	12,458
Additional subsidized youth employment slots (+13)	70,095
Subtotal	**1,039,304**
CalWIN	
Technology & Equipment	1,537,665
Client Services	315,978
Switch to Semi-annual Reporting Contractor Payments	125,554
Subtotal	**1,979,197**
Total Supplemental Appropriation	**$31,526,350**

Excluding the $27,000,000 IHSS Maintenance of Effort contractor payments out of the requested $31,526,350, the value of the remaining supplemental appropriation is $4,526,350. Of this amount, $2,800,795, or approximately 62% of $4,526,350, is being spent on technical equipment, projects, and services. Approximately 32%, or $1,440,597, is being spent on client services. The remaining approximately 6%, or $284,958, is being expended on training and marketing.

The total requested $31,526,350 appropriation would increase HSA's FY 2013-14 budget by approximately 4.5%, from $698,924,355 to $730,450,705.

Supplemental Appropriation: Budget and Legislative Analyst Recommended Reductions

Based upon our review of the Human Service Agency's projected expenditures, the Budget and Legislative Analyst recommends reducing the proposed supplemental appropriation by $134,958, from $31,526,350 to $31,391,391, as shown in Table 5 below.

Table 5: Supplemental Appropriation Recommended Reductions

Uses	Proposed Supplemental Appropriation	Budget & Legislative Analyst Recommended Supplemental Appropriation	Budget & Legislative Analyst Recommended Reduction
In-Home Supportive Services			
New MoE Contractor Payments	$27,000,000	$27,000,000	$0
Laptops, Cell phones, & Data plans	184,992	184,992	0
Subtotal	**27,184,992**	**27,184,992**	
CalWORKS			
Family Services	201,191	201,191	0
Additional subsidized child care slots (+32)	103,333	103,333	0
Additional subsidized employment slots (+70 to 100)	145,833	145,833	0
Welfare-to-Work Database	600,000	500,000	100,000
Subtotal	**1,050,357**	**950,357**	
CalFresh			
Marketing, Training, & Outreach	272,500	250,000	22,500
Subtotal	**272,500**	**250,000**	
Family and Children's Services			
Assessment, Access, & Service Expansion	104,167	104,167	0
Children's Receiving Center	500,000	500,000	0
Laptops and service plans	352,584	352,584	0
Training	12,458	0	12,458
Additional subsidized youth employment slots (+13)	70,095	70,095	0
Subtotal	**1,039,304**	**1,026,846**	
CalWIN			
CalHEERS Interface	892,103	892,103	0
CalHEERS Call Center	509,953	509,953	0
CalFresh Modernization / CalWORKS Redesign	135,609	135,609	0
Client Benefits & Assistance	315,978	315,978	0
Semi-annual Reporting Contractor Payments	125,554	125,554	0
Subtotal	**1,979,197**	**1,979,197**	
Total Supplemental Appropriation	**$31,526,350**	**$31,391,392**	**$134,958**

The Budget and Legislative Analyst recommends the following reductions:

- $100,000 in the CalWORKS Welfare to Work Database, from $600,000 to $500,000 based on sufficient available funds to complete the project. Currently about $150,000, or 25% of the project's total budget, is reserved for tasks such as basic documentation, referrals, notes, letters, and forms.
- $22,500 in CalFresh for Marketing, Training and Outreach based on the limited remaining time in FY 2013-14 for HSA to implement marketing, training and outreach programs.
- $12,458 in Family and Children's Services Training based on the limited remaining time in FY 2013-14 for HSA to hire staff and implement training.

Salary Ordinance Amendment: Additional HSA Positions

As described above, HSA is requesting to amend the Annual Salary Ordinance to add 68 new positions across five different HSA programs, to support the increased work associated with new state and federal revenues tied to changes in law and additional program mandates. Table 6 below details the 68 total positions being added by program, for a total of 16.85 FTE for FY 2013-14.

Table 6: Requested HSA Positions for FY 2013-14

Program	FY 2013-14 FTE	Annualized No. of Positions
In-Home Supportive Services		
2320 - Registered Nurse	0.25	1
2904 - Human Services Technician	0.50	2
2910 - Social Worker	1.75	7
2914 - Social Work Supervisor	0.25	1
SUBTOTAL	**2.75**	**11**
CalWORKS		
1241 - Personnel Analyst	0.25	1
1244 - Senior Personnel Analyst	0.25	1
1404 - Clerk	0.25	1
1823 - Senior Administrative Analyst	0.50	2
2230 - Physician Specialist	0.10	1
2574 - Clinical Psychologist	0.25	1
2903 - Eligibility Worker	0.50	2
2913 – Program Specialist	0.25	1
2915 – Program Specialist Supervisor	0.25	1
2916 – Social Work Specialist	2.25	9
2919 – Child Care Specialist	0.25	1
9702 – Employment & Training Specialist	0.50	2
SUBTOTAL	**5.60**	**23**
CalFresh		
2903 - Eligibility Worker	2.00	8
2907 - Eligibility Worker Supervisor	0.25	1
SUBTOTAL	**2.25**	**9**
Family and Children's Services		
1404 - Clerk	1.50	6
1408 - Principal Clerk	0.25	1
1822 – Administrative Analyst	0.25	1
1840 - Junior Management Assistant	0.25	1
2916 - Social Work Specialist	0.75	3
2917 - Program Support Analyst	0.25	1
2944 - Protective Services Supervisor	0.25	1
SUBTOTAL	**3.50**	**14**
Service Integration		
0923 - Manager II	0.25	1
1820 - Junior Administrative Analyst	0.50	2
2913 - Program Specialist	1.75	7
2917 - Program Support Analyst	0.25	1
SUBTOTAL	**2.75**	**11**
TOTAL	**16.85**	**68**

According to Mr. Chu, the salary and benefit costs for the proposed 16.85 FTEs in FY 2013-14 would be funded by HSA existing salary savings in the HSA FY 2013-14 budget rather than by the proposed supplemental appropriation. According to Mr. Chu, HSA's projected year-end salary and fringe benefit surplus, based on actual expenditures through the pay period ending February 14, 2014, is $ 10.8 million. Mr. Chu states that ongoing State and Federal funding will support these positions in FY 2014-15 and future years, including salaries, benefits, lease costs for additional office space, and additional ancillary expenditures.

HSA had previously assumed a position approval date of April 1, 2014 to determine an FTE per employee of 0.25 for FY 2013-14. Currently 49 of the 68 requested positions' work duties are being performed by temporary employees funded by temporary salaries or salary savings in HSA's FY 2013-14 budget; HSA has stated they already have a list of potential employees to hire on a permanent basis for 53 of the 68 requested positions.

HSA has 2,058 authorized FTEs in the FY 2013-14 Annual Salary Ordinance.[4] The 68 requested positions will bring HSA's total number of authorized positions to 2,126, representing an increase of 3.3%. The percentage increases are larger when detailed by the programs specifically being increased under this subject request, as shown in Table 7 below.

[4] HSA has 1,869.32 budgeted FTEs in the FY 2013-14 budget, net of required salary savings.

Table 7: Requested New Positions by Hiring Program

Program	Authorized Positions	Requested New Positions	Total Positions	% Increase
IHSS	157	11	168	7.00%
CalWORKS	171	19	190	11.10%
CalFresh	189	9	198	4.80%
Family & Children's Services	334	14	348	4.20%
Other (Administrative Support)	384	14*	398	3.70%
Other (Childcare - CalWORKS)	13	1	14	7.70%
Total	1,248	68	1,316	5.40%

* This includes 11 positions in the Service Integration Group and 3 in CalWORKS

Salary Ordinance Amendment: Budget and Legislative Analyst Recommended Reductions

The Budget and Legislative Analyst has reviewed the requested staff positions and recommends reducing the number of new positions requested by HSA in FY 2013-14, given

1. the condensed time-frame for hiring new staff prior to the end of the fiscal year;
2. the insufficient operational need for certain positions;
3. minimal projected case-load growth within programs relative to the requested employment increases[5], and
4. the high number of current vacancies in some of the requested classifications.

As noted in Table 8 below, the Budget and Legislative Analyst has determined that, as of the writing of this report, HSA has a total of 157.2 vacancies across the relevant classification series of the various requested positions. Rather than create new positions in the FY 2013-14 ASO, HSA should fill vacant positions for several of the position classifications to provide the proposed new and enhanced program services. In addition, HSA can continue to assess its staffing requirements to implement new State mandates and request additional positions in the FY 2014-15 budget.

[5] According to HSA, projected case-load growth by program is as follows, CalWORKS: 1%; CalFresh: 1%; IHSS: 1.5%; Family and Children's Services: 3%.

Table 8: HSA Vacant FTEs in Requested Classifications and Series

Position	Requested FTE (annualized in FY 2014-15)	Authorized FTEs in FY 2013-14 ASO	Actual FTEs Year to Date	Number of Vacant FTEs	
				Authorized FTEs Greater/ (Less) than Actual FTEs by Classification	Authorized FTEs Greater/ (Less) than Actual FTEs by Classification Series
0923 Manager II	1	26.77	22.03	4.74	4.74
1241 Personnel Analyst	1	7.54	8.24	(0.7)	
1244 Senior Personnel Analyst	1	7	8.26	(1.26)	(1.96)
1402 Junior Clerk	0	0	13.15	(13.15)	
1404 Clerk	7	87.93	81.15	6.78	
1406 Senior Clerk	0	4	2.21	1.79	
1408 Principal Clerk	1	17.54	13.65	3.89	(0.69)
1820 Junior Administrative Analyst	2	5	6.02	(1.02)	
1822 Administrative Analyst	1	21.23	17.63	3.6	
1823 Senior Administrative Analyst	2	31.5	21.48	10.02	12.6
1840 Junior Management Assistant	1	7	5.3	1.7	1.7
2230 Physician Specialist	0.4	3.6	2.94	0.66	0.66
2320 Registered Nurse	1	5	4.91	0.09	0.09
2574 Clinical Psychologist	1	7.91	5.42	2.49	2.49
2903 Eligibility Worker	10	204.76	205.32	(0.56)	
2905 Senior Eligibility Worker	0	286	224.24	61.76	
2907 Eligibility Worker Supervisor	1	67.16	55.75	11.41	72.61
2904 Human Services Technician	2	37	30.51	6.49	6.49
2910 Social Worker	7	33.08	39.55	(6.47)	
2912 Senior Social Worker	0	125	96.94	28.06	
2914 Social Work Supervisor	1	20	18.3	1.7	23.29
2913 Program Specialist	8	63.39	60.68	2.71	
2915 Program Specialist Supervisor	1	5	4.85	0.15	2.86
2916 Social Work Specialist	12	29	26.54	2.46	2.46
2917 Program Support Analyst	2	13	9.66	3.34	3.34
2919 Child Care Specialist	1	5	4.96	0.04	0.04
2944 Protective Services Supervisor	1	39	36.05	2.95	2.95
9702 Employment & Training Spec 1	2	19.15	19.25	(0.10)	23.53
9703 Emp & Training Spec 2	0	39.00	28.07	10.93	
9704 Employment & Training Spec 3	0	51.54	40.96	10.58	
9705 Emp & Training Spec 4	0	19.77	17.67	2.10	
9706 Employment & Training Spec 5	0	3	2.98	0.02	
TOTAL	67.4	1,178.56	1,044.99	157.2	157.2

Source: Controller's Office

The Budget and Legislative Analyst therefore recommends a reduction of 27 annualized positions, from 68 to 41, and a reduction of 10.09 FTEs in FY 2013-14 from 16.85 to 6.76 FTEs, as shown in Table 9 below. The Attachment to this report provides for a position-by-position explanation of the recommended reductions. The Budget and Legislative Analyst's recommendations to reduce the remaining 41 positions (6.76 FTE in FY 2013-14) provide for a position hire date of May 1, 2014 instead of the requested April 1, 2014 hire date, based on when the remaining 41 positions can actually be filled in FY 2013-14. This adjustment (reflecting approximately 0.17 FTE per position vs. the originally requested 0.25 FTE per position) is reflected below in Table 9 and in the Attachment to this report.

Table 9: Salary Ordinance Recommended Reductions by the Budget and Legislative Analyst

Program	Requested FY 2013-'14 Total FTE	FY 2013-14 Total FTE Adjusted for May 1 Hire Date	Budget & Legislative Analyst Recommended FY 2013-14 Total FTE	Budget & Legislative Analyst Recommended FY 2013-14 FTE Reduction	Requested Number of Positions	Budget & Legislative Analyst Recommended Positions	Budget & Legislative Analyst Recommended Position Reduction
In-Home Supportive Services	2.75	1.87	1.34	1.41	11	8	3
CALWORKS	5.6	3.81	2.74	2.86	23	17	6
CALFRESH	2.25	1.53	0.5	1.75	9	3	6
Family and Children's Services	3.5	2.37	1.85	1.66	14	11	3
Service Integration	2.75	1.87	0.33	2.42	11	2	9
TOTAL	**16.85**	**11.45**	**6.76**	**10.09**	**68**	**41**	**27**

As shown in Table 9 above, the Budget and Legislative Analyst also notes that adjusting just for the hire date (excluding any recommended position reductions) for the requested 68 positions from April 1, 2014 to May 1, 2014 would result in a total FTE count of 11.45 FTEs for FY 2013-14, or 5.4 FTEs less than the requested 16.85 FTEs. This adjustment is also reflected in Table 9 above and in the Attachment to this report.

RECOMMENDATIONS

1. Amend the proposed appropriation ordinance (File 14-0234) to reduce the revenue and expenditures appropriations by $134,958, as specified in Table 5 above, which would reduce the (a) CalWORKS appropriation by $100,000 for Welfare-to-Work Database, (b) the CalFresh appropriation by $22,500 for Marketing Training and Outreach, and (c) the Family and Children's Services appropriation by $12,458 for training.
2. Amend the proposed salary ordinance (File 14-0233) to adjust the hire date for all requested positions from April 1, 2014 to May 1, 2014, thereby reducing the total number of FTEs in FY 2013-14 by 5.4 FTEs from 16.85 FTEs to 11.45 FTEs, as reflected in Table 9 above and in the Attachment to this report.
3. Amend the proposed salary ordinance (File 14-0233) (a) to reduce the total number of annualized HSA positions by 27 from 68 to 41, and (b) to reduce the total number of FTEs in FY 2013-14 by an additional 4.69 FTEs from 11.45 FTEs to 6.76 FTEs, as reflected in Table 9 above and in the Attachment to this report, for a total FTE reduction of 10.09 FTEs (5.4 FTEs

in Recommendation Number 2 above and 4.69 FTEs in this Recommendation Number 3), from 16.85 FTEs to 6.76 FTEs.

4. Approve the proposed ordinances as amended.

HSA Response to Budget and Legislative Analyst Recommendations

HSA has stated they agree with the Budget and Legislative Analyst's Recommendation Number 1 to reduce the revenue and expenditure appropriations by $134,958, and agree with the Budget and Legislative Analyst's Recommendation Number 2 to change the new position hire date for all requested positions to May 1, 2014 from April 1, 2014, thereby reducing the requested FTEs by 5.4 FTEs from 16.85 FTEs to 11.45 FTEs in FY 2013-2014.

However, HSA disagrees with the Budget and Legislative Analyst's Recommendation Number 3 to reduce the total number of FTEs in FY 2013-2014 by an additional 4.69 FTEs from 11.45 FTEs to 6.76 FTEs, and to reduce the total number of new annualized positions by 27 from 68 to 41.

HSA did not provide any additional information to the Budget and Legislative Analyst which would cause us to withdraw Recommendation Number 3. Therefore, the Budget and Legislative Analyst continues to recommend that the total number of new FTEs in FY 2013-14 be reduced an additional 4.69 FTEs from 11.45 FTEs to 6.76 FTEs, and that new annualized positions be reduced by 27 from 68 to 41, for the reasons discussed above and as detailed in the Attachment to this report.

File 14-0233 & 14-0234 ATTACHMENT: Budget and Legislative Analyst Reasons for Recommended Position Reductions and Deletions

Program	Requested FY 2013-'14 FTE	FY 2013-'14 FTE Adjusted for May 1 Hire Date	Budget & Legislative Analyst Recommended FY 2013-14 FTE	Budget & Legislative Analyst Recommended Reduction FY 2013-14 FTE	Number of Positions	Budget & Legislative Analyst Recommended Positions	Budget & Legislative Analyst Recommended Position Reduction	Reason for Recommended Reductions and Deletions* * Please note that ALL position FTEs have been adjusted downwards to reflect a May 1 hiring date, instead of April 1.
In-Home Supportive Services								
2230 - Registered Nurse	0.25	0.17	0.17	0.08	1	1	0	
2904 - Human Services Technician	0.5	0.34	0.17	0.33	2	1	1	Available vacancies
2910 - Social Worker	1.75	1.19	0.84	0.91	7	5	2	Available vacancies
2914 - Social Work Supervisor	0.25	0.17	0.17	0.08	1	1	0	
SUBTOTAL	**2.75**	**1.87**	**1.34**	**1.41**	**11**	**8**	**3**	
CALWORKS								
1241 - Personnel Analyst	0.25	0.17	0.17	0.08	1	1	0	
1244 - Senior Personnel Analyst	0.25	0.17	0	0.25	1	0	1	Insufficient operational need
1404 – Clerk	0.25	0.17	0.17	0.08	1	1	0	
1823 - Senior Administrative Analyst	0.5	0.34	0.17	0.33	2	1	1	Available vacancies
2230 - Physician Specialist	0.1	0.07	0.07	0.03	1	1	0	
2574 - Clinical Psychologist	0.25	0.17	0.17	0.08	1	1	0	
2903 - Eligibility Worker	0.5	0.34	0.17	0.33	2	1	1	Available vacancies, minimal projected case-load growth
2913 - Program Specialist	0.25	0.17	0.17	0.08	1	1	0	

Program	Requested FY 2013-'14 FTE	FY 2013-'14 FTE Adjusted for May 1 Hire Date	Budget & Legislative Analyst Recommended FY 2013-14 FTE	Budget & Legislative Analyst Recommended Reduction FY 2013-14 FTE	Number of Positions	Budget & Legislative Analyst Recommended Positions	Budget & Legislative Analyst Recommended Position Reduction	Reason for Recommended Reductions and Deletions* * Please note that ALL position FTEs have been adjusted downwards to reflect a May 1 hiring date, as opposed to April 1.
2915 - Program Specialist Supervisor	0.25	0.17	0.17	0.08	1	1	0	
2916 - Social Work Specialist	2.25	1.53	1.17	1.08	9	7	2	Insufficient operational need, minimal projected case-load growth
2919 - Childcare Specialist	0.25	0.17	0.17	0.08	1	1	0	
9702 - Employment & Training Specialist	0.5	0.34	0.17	0.33	2	1	1	Available vacancies
SUBTOTAL	**5.6**	**3.81**	**2.74**	**2.86**	**23**	**17**	**6**	
CALFRESH								
2903 - Eligibility Worker	2	1.36	0.5	1.5	8	3	5	Minimal projected case-load growth, available vacancies
2907 - Eligibility Worker Supervisor	0.25	0.17	0	0.25	1	0	1	Minimal projected case-load growth, available vacancies
SUBTOTAL	**2.25**	**1.53**	**0.5**	**1.75**	**9**	**3**	**6**	
Family and Children's Services								
1404 – Clerk	1.5	1.02	0.67	0.83	6	4	2	Insufficient operational need
1408 - Principal Clerk	0.25	0.17	0.17	0.08	1	1	0	
1822 - Administrative Analyst	0.25	0.17	0	0.25	1	0	1	Available vacancies
1840 - Junior Management Assistant	0.25	0.17	0.17	0.08	1	1	0	
2916 - Social Work Specialist	0.75	0.5	0.5	0.25	3	3	0	

Program	Requested FY 2013-'14 FTE	FY 2013-'14 FTE Adjusted for May 1 Hire Date	Budget & Legislative Analyst Recommended FY 2013-14 FTE	Budget & Legislative Analyst Recommended Reduction FY 2013-14 FTE	Number of Positions	Budget & Legislative Analyst Recommended Positions	Budget & Legislative Analyst Recommended Position Reduction	Reason for Recommended Reductions and Deletions* * Please note that ALL position FTEs have been adjusted downwards to reflect a May 1 hiring date, as opposed to April 1.
2917 - Program Support Analyst	0.25	0.17	0.17	0.08	1	1	0	
2944 - Protective Services Supervisor	0.25	0.17	0.17	0.08	1	1	0	
SUBTOTAL	**3.5**	**2.37**	**1.85**	**1.66**	**14**	**11**	**3**	
Service Integration								
0923 - Manager II	0.25	0.17	0	0.25	1	0	1	Insufficient operational need
1820 - Junior Administrative Analyst	0.5	0.34	0	0.5	2	0	2	Insufficient operational need
2913 - Program Specialist	1.75	1.19	0.33	1.42	7	2	5	Insufficient operational need
2917 - Program Support Analyst	0.25	0.17	0	0.25	1	0	1	Insufficient operational need
SUBTOTAL	**2.75**	**1.87**	**0.33**	**2.42**	**11**	**2**	**9**	
TOTAL	**16.85**	**11.45**	**6.76**	**10.09**	**68**	**41**	**27**	

Item 3 File 14-0288	Department: San Francisco Municipal Transportation Agency

EXECUTIVE SUMMARY

Legislative Objectives

The proposed resolution would approve a new lease between North Beach Retail Associates, LLC, as landlord, and San Francisco Municipal Transportation Agency (SFMTA), as tenant, for 330 square feet of space at 2449 and 2450 Taylor Street.

Key Points

- SFMTA has an existing lease at 2449 and 2450 Taylor Street in North Beach Place, a public housing site under the jurisdiction of the San Francisco Housing Authority. The leased site is located at the northern terminus of the Powell/Mason Cable Car line, and is used by SFMTA for a break room and restroom for Municipal Railway (Muni) staff and for Muni ticket sales.
- The initial approximately nine-year lease between SFMTA and North Beach Retail Associates was from January 1, 2004 through December 2013 with annual rent of $4,000 and total rent over nine years of $36,000. The lease provided an option to extend for an additional six years with annual rent of $6,000, totaling $36,000 over six years. According to SFMTA, SFMTA staff determined that negotiating a new lease with lower rates over the long term, rather than extending the existing lease with potentially large rent increases after the end of the six-year extension, was more cost effective.
- The proposed lease would have an initial ten-year term effective January 1, 2014 through December 31, 2023 with first year rent of $7,920, increasing by three percent per year. The proposed lease provides one ten-year option to extend through December 31, 2033, with the same terms and conditions.
- Because the proposed lease began on January 1, 2014, the proposed resolution should be amended for retroactivity.

Fiscal Impact

- Total rent payments over 20 years under the proposed lease, which includes the initial ten-year term and the ten-year extension, are $212,813. According to SFMTA, this is $42,123 less than estimated rent payments of $254,936 if the SFMTA were to exercise the six-year option to extend the existing lease and then enter into a market rate lease after six years.
- The estimated net present value savings over 20 years is $13,835.

Recommendations

- Amend the proposed resolution for retroactivity.
- Approve the proposed resolution as amended.

MANDATE STATEMENT/BACKGROUND

Mandate Statement

San Francisco City Charter Section 9.118 (c) states that any lease of real property for a period of ten or more years, including options to renew, or having anticipated revenue to the City and County of one million dollars or more; the modification, amendment or termination of any lease, which when entered into was for a period of ten or more years, including options to renew, or had anticipated revenue to the City and County of one million dollars or more; and any sale or other transfer of real property owned by the City and County, shall first be approved by resolution of the Board of Supervisors.

Background

The premises at 2449 and 2450 Taylor Street are part of North Beach Place, a mixed-use affordable housing development, under the jurisdiction of the San Francisco Housing Authority and located at the northern terminus of the Powell/Mason cable car line. The project was built in 2004 and includes three rooms that were built for the San Francisco Municipal Transportation Agency (SFMTA) to serve as a Municipal Railway (Muni) operator restroom, break room and ticket sales room, totaling 330 square feet. SFMTA, as tenant, has leased the premises from North Beach Retail Associates, LLC (North Beach Retail Associates), as landlord, since December 2004 for use by SFMTA.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new lease between North Beach Retail Associates, as landlord, and the City and County of San Francisco on behalf of the SFMTA, as tenant, for 330 square feet at 2449 and 2350 Taylor Street, as shown in Table 1 below. Because the new lease term commenced on January 1, 2014, the proposed resolution should be amended for retroactivity.

Under the initial nine-year lease between SFMTA and North Beach Retail Associates, which expired on December 22, 2013, the rent was $4,000 per year, totaling $36,000 for nine years. The lease included one six-year option to extend for an additional $36,000 for six years, or $6,000 per year. However, SFMTA decided not to exercise that option. According to Kerstin Magary, Senior Manager, SFMTA Real Estate Section, SFMTA staff compared similar lease rates of nearby sites as well as other SFMTA leases in other parts of the City and determined that negotiating a new lease, rather than extending the existing lease, was more cost effective (see Fiscal Impact Section below).

The SFMTA entered into a new ten-year lease with one ten-year option with North Beach Retail Associates, effective January 1, 2014, which was subsequently approved by the SFMTA Board of Directors through SFMTA Board Resolution No. 14-031.

The following table summarizes the major terms of the proposed lease:

Table 1: Summary of the Major Lease Terms	
Square footage leased	330 square feet
Lease Term	Ten (10) years, commencing on January 1, 2014 through December 31, 2023
Option to Extend	Ten (10) years, commencing on January 1, 2024 through December 31, 2033
First Year Rent	$7,920 (monthly rent of $660)
Rent per Square Foot per Month	$2.00
Rent Increases	3 percent per year of the agreement

Additional lease terms

Permitted Use – 2449 Taylor Street will provide SFMTA with a break room and restroom for Muni operators. 2450 Taylor Street will house the Muni ticket sales venue. The total square feet for 2449 and 2450 Taylor Street is 330.

Utilities – Landlord will be responsible for paying for water and sewer service. SFMTA will be responsible for electricity, refuse collection, and telephone service. There will not be any gas service at the premises.

Maintenance and repairs – Landlord is obligated for repairs to the roof, foundation, structural elements of the building, and systems and equipment that are shared with other leasable space. SFMTA will be responsible for maintenance and repairs to the premises as well as provide its own janitorial services.

Resident hiring – SFMTA acknowledges that the landlord under the proposed lease will encourage employment of qualified residents of the project, though SFMTA does not have an obligation to hire any individual (specifically including residents of the project). SFMTA agrees to notify the San Francisco Housing Authority of all openings in entry-level positions at the premises.

All of the above provisions in the proposed lease are the same provisions included in the existing lease.

FISCAL IMPACT

Under the proposed lease, SFMTA will pay $7,920 in first year rent ($660 per month), which is $1,920 or 32 percent more than the $6,000 in annual rent which the SFMTA would have otherwise paid under the existing lease's option to extend. According to the SFMTA staff report to the SFMTA Board of Directors, although entering into a new lease rather than exercising the six-year option to extend the existing lease results in increased costs of $15,230 over six years[1], the SFMTA staff determined that over the 20 year term of the new lease (10 year initial term and 10 year extension), SFMTA will save lease costs. According to Ms. Magary, SFMTA estimates that by entering into the proposed 10-year lease with one additional 10-year option, instead of exercising the six-year option under the existing lease, the net present value savings to SFMTA over the 20-year lease would be $13,835, as shown in table 2 below. The Budget and Legislative Analyst concurs with the calculation of savings conducted by the SFMTA.

Table 2: Comparative Rents per Lease Term

	Original Lease Rent Amount		New Lease Rent Amount		
	Rent per Square Foot per Year [2]	Total	Rent per Square Foot per Year	Total	(Increase)/ Savings
Lease Year					
1	$1.52	*$6,000	$2.00	$7,920	($1,920)
2	1.52	*6,000	2.06	8,158	(2,158)
3	1.52	*6,000	2.12	8,402	(2,402)
4	1.52	*6,000	2.19	8,654	(2,654)
5	1.52	*6,000	2.25	8,914	(2,914)
6	1.52	*6,000	2.32	9,181	(3,181)
7	3.24	12,814	2.39	9,457	3,357
8	3.33	13,198	2.46	9,741	3,457
9	3.43	13,594	2.53	10,033	3,561
10	3.54	14,002	2.61	10,334	3,668
11	3.64	14,422	2.69	10,644	3,778
12	3.75	14,854	2.77	10,963	3,891
13	3.86	15,300	2.85	11,292	4,008
14	3.98	15,759	2.94	11,631	4,128
15	4.10	16,232	3.03	11,980	4,252
16	4.22	16,719	3.12	12,339	4,380
17	4.35	17,220	3.21	12,709	4,511
18	4.48	17,737	3.31	13,091	4,646
19	4.61	18,269	3.40	13,483	4,786
20	4.75	18,817	3.51	13,888	4,929
Total Estimated		$254,936		$212,813	$42,123
Net Present Value		$129,163		$115,327	$13,835

* Rent paid under six-year option to extend under the existing lease.

[1] Under the six-year option to extend the existing lease, the rent is $6,000 per year for six years, totaling $36,000, while under the new lease, the rent is $7,920 in the first year, increasing by 3 percent per year, resulting in total rent over six years of $51,230, an increase of $15,230.

[2] According to the SFMTA staff report to the SFMTA Board of Directors, rents of comparable properties in the neighborhood ranged from $1.63 to $4.41 per square foot per month with a mean rent of $3.05 per square foot per month.

RECOMMENDATIONS

1. Amend the proposed resolution to provide for retroactivity to January 1, 2014.
2. Approve the proposed resolution as amended.

Item 4 File 14-0342	Department: Port

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would: (1) authorize the Port Commission (Port) to increase the Port revenue bond issuance amount of $25,300,000, as previously-authorized by the Board of Supervisors, to a not-to-exceed aggregate principal amount of $30,000,000 for Phase II of the Cruise Terminal Project at Pier 27 and the Northern Waterfront Historic Pier Structures Repair Project; (2) approve the documents required for the Port to issue revenue bonds including the preliminary official statement; (3) approve the maximum interest rate allowed on Port revenue bonds as set by the Port Commission; and (4) related matters.

Key Points

- In May 2013, the Board of Supervisors approved a resolution (File 13-0488) that authorized the Port Commission (Port) to issue revenue bonds in the not-to-exceed $25,300,000 aggregate principal amount to pay for the project cost and associated costs of issuance for of Phase II of the Cruise Terminal Project at Pier 27 and the Northern Waterfront Historic Pier Structures Repair Project.
- Also in May 2013, the Board of Supervisors approved a supplemental appropriation (File 13-0482) that increased the Port's FY 2012-13 annual appropriation for Phase II of the Cruise Terminal Project at Pier 27 and the Northern Waterfront Historic Pier Structures Repair Project, by $34,722,930 that included the previously-approved (File 13-0488) bond proceeds of $25,265,500.
- The proposed resolution would authorize the Port Commission to increase the Port revenue bond issuance amount from the previously authorized amount of up to $25,300,000 to a not-to-exceed aggregate principal amount of $30,000,000 for Phase II of the Cruise Terminal Project at Pier 27 and the Northern Waterfront Historic Pier Structures Repair Project.

Fiscal Impact

- Of the total requested not-to-exceed amount of $30,000,000, the Port estimates that $29,551,207 would be expended, which is $4,285,707 more than the Port's previous estimated expenditures of $25,625,500, for Phase II of the Cruise Terminal Project at Pier 27 and the Northern Waterfront Historic Pier Structures Repair Project.
- Based on the estimated interest rate of 4.79 percent, the Port estimates annual debt service on the proposed bonds of $1,464,000. The Port estimates total debt service over the 30-year term of the bonds at $43,567,272 including principal and interest costs.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

City Charter Section 9.107(4) and City Administrative Code Section 43.12.5(a) state that each revenue bond issuance by the Port Commission for any Port-related purpose is subject to Board of Supervisors approval.

City Administrative Code 43.12.5(b) states that Port revenue bonds may not have an interest rate higher than the rate set by the Port Commission.

Background

In May 2013, the Board of Supervisors approved a resolution (File 13-0488) that authorized the Port Commission (Port) to issue revenue bonds in the not-to-exceed $25,300,000 aggregate principal amount to pay for the project cost and associated costs of issuance for the development of Phase II of the Cruise Terminal Project at Pier 27 and the Northern Waterfront Historic Pier Structures Repair Project. Under the previously-approved resolution, the Port was authorized to prepare the documents necessary to issue the debt including the preliminary official statement that is submitted for review to the bond rating agencies. Those bond documents, however, required additional Board of Supervisors approval in order for the Port to issue the debt. The not-to-exceed $25,300,000 aggregate principal amount included $21,475,000 in project costs and $3,790,500 in associated costs of issuance and reserve pending sale for total costs of $25,265,500.

Also in May 2013, the Board of Supervisors approved a supplemental appropriation (File 13-0482) for various Port capital projects, including Phase II of the Cruise Terminal Project at Pier 27 and the Northern Waterfront Historic Pier Structures Repair Project, by $34,722,930 that included the previously-approved bond proceeds of $25,265,500 (File 13-0488) and surplus capital project funds.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would: (1) authorize the Port Commission (Port) to increase the Port revenue bond issuance amount of $25,300,000, as previously-authorized by the Board of Supervisors, to a not-to-exceed aggregate principal amount of $30,000,000 for Phase II of the Cruise Terminal Project at Pier 27 and the Northern Waterfront Historic Pier Structures Repair Project; (2) approve the documents required for the Port to issue revenue bonds including the preliminary official statement; (3) approve the maximum interest rate allowed on Port revenue bonds as set by the Port Commission; and (4) related matters.

Financing Documents

The proposed resolution would approve the following documents:

- Second Supplement to Indenture between the Port Commission and the U.S. Bank National Association, which provides for the terms of issuance of two series of 2014 Revenue Bonds;
- Bond Purchase Contract between the Port Commission and the Underwriters – Siebert, Brandford, Shank and Company, LLC, and Stifel, Nicolaus and Company, Inc. – for the purchase of the 2014 Revenue Bonds by the Underwriters and sale of the bonds at a public offering;
- Official Statement describing the governance and financial condition of the Port and matters related to the issuance of the 2014 Revenue Bonds;
- Continuing Disclosure Certificate defining the Port's reporting requirements during the term of the 2014 Revenue Bonds; and
- Payment Instructions, which provides for repayment of commercial paper with the 2014 Revenue Bond proceeds.

The proposed resolution authorizes modifications to these documents by the Port Executive Director in consultation with the City Attorney.

Maximum Interest Rate

The proposed resolution sets the maximum interest rate for the 2014 Revenue Bonds at an amount not-to-exceed 12 percent, which is the maximum allowed under State law.

FISCAL IMPACT

As shown in Table 1 below, of the total requested not-to-exceed amount of $30,000,000, the Port estimates that $29,551,207 would be expended, which is $4,285,707 more than the Port's previous estimated expenditures of $25,265,500, for Phase II of the Cruise Terminal Project at Pier 27 and for the Northern Waterfront Historic Pier Structures Repair Project.

Table 1: Previously Approved and Proposed Issuance

	May 2013 Resolution	Proposed Resolution	Difference
Uses			
Cruise Terminal Phase II	$19,531,611	$19,531,611	$0
Northern Waterfront Repairs	1,943,389	1,943,389	0
Subtotal Project Costs	21,475,000	21,475,000	0
Costs of Issuance	2,790,500	2,026,207	(764,293)
Reserve pending sale	1,000,000	6,050,000	5,050,000
Subtotal Issuance Costs	3,790,500	8,076,207	4,285,707
Total Uses	**$25,265,500**	**$29,551,207**	**$4,285,707**

The total additional estimated expenditures of $4,285,707 in bond issuance costs would be subject to appropriation approval by the Board of Supervisors.

According to Ms. Elaine Forbes, Port Deputy Director of Finance and Administration, and as shown in Table 1 above, the estimated net increase in Port costs of $4,285,707 is comprised of (1) a reduction in bond issuance costs of $764,293, and (2) an increase of $5,050,000 in order to account for unforeseen market conditions.

According to Ms. Forbes, although the Port does not anticipate needing the increased reserve funding, the increased amount will provide the Port with needed flexibility due to future unforeseen market conditions.

As of the writing of this report, the Port anticipates submitting the preliminary official statement to the investor community in late April 2014 and issuing the Port revenue bonds through a negotiated sale in approximately mid-May 2014. The Port is proposing a negotiated rather than a competitive sale because of: (1) the relatively small size of the transaction, (2) the increased ability to market the Port's bonds and explain the Port's unique credit to the investor community, and (3) the flexibility to meet the Port's desired debt service structure for the bonds.

Annual Debt Service

Based on an estimated interest rate of 4.79 percent[1], the Port estimates annual debt service on the proposed bonds of $1,464,000. The Port estimates total debt service over the 30-year term of the bonds of $43,567,272 including principal and interest costs.

According to the Port's debt policy, the Port should (a) maintain a debt service coverage ratio (ratio of total annual debt service to net operating revenues) of at least 1:15; and (b) an operating reserve equal to 15 percent[2] of the annual operating expenditure budget. Based on the Port's projections, the Port's debt service coverage ratio for previously issued and proposed debt, including revenue bonds and short-term debt, would exceed the 1:15 debt service ratio for the five-year term from FY 2014-15 through FY 2018-19, as shown in Table 2 below.

Table 2: Debt Service Coverage Ratio FY 2013-14 through FY 2017-18

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Net Revenue	$21,389,690	$23,986,170	$26,095,172	$26,180,133	$26,180,133
Total Annual Debt Service	7,211,359	7,383,463	7,333,510	7,271,651	7,275,005
Debt Service Ratio	2.97	3.25	3.56	3.60	3.60

RECOMMENDATION

Approve the proposed resolution.

[1] The Port will know the actual interest rate for the bonds on the day of the negotiated sale.

[2] The Port's Five Year Financial Plan for FY 2013-14 through FY 2017-18 projects an annual operating reserve of 15 percent.

Item 5 **File 14-0310**	**Department(s):** Department of Public Works (DPW)

EXECUTIVE SUMMARY

Legislative Objective

Approval of the proposed resolution by the Board of Supervisors would find that the plan to construct the proposed jail to replace County Jail #3 and County Jail #4 would be fiscally feasible and responsible under the San Francisco Administrative Code Chapter 29. This finding of fiscal feasibility would allow the Department of Public Works to proceed with filing an environmental review of the project under Administrative Code Chapter 31 and the California Environmental Quality Act.

Key Points

- The City's Capital Planning Committee approved replacement of County Jail #3 and County Jail #4, located in the Hall of Justice, in the 2014-2023 Capital Plan.
- The replacement jail proposed by the Sheriff's Department and the Capital Planning Committee would be a maximum security facility with a total capacity of 640 beds located adjacent to the Hall of Justice. This would result in a 29% reduction in capacity from the existing 903 beds at County Jail #3 and County Jail #4.
- Costs to build the replacement jail are estimated to be $299,500,000, consisting of $199,500,000 in construction costs and $100,000,000 in associated costs, including project control, site control, program contingency, city service audits and furniture, fixtures and equipment.
- Estimated annual non-personnel operating and maintenance costs for the proposed jail are $930,000. More precise figures will be made available upon the determination of the actual size of the proposed jail.

Fiscal Impacts

- Construction of the replacement jail would be financed by Certificates of Participation. Estimated costs for principal, interest, reserve and financing to the City's General Fund for would be $629,610,000 with annual payments of $27,356,957 in debt service.
- Financing for this project would not exceed the City's 3.25% limit on the percentage of discretionary revenue that can be used to fund annual debt service costs.

Policy Consideration

- According to the Budget and Legislative Analyst's January 2014 report, construction of a replacement jail at the Hall of Justice with fewer than 640 beds as is currently proposed is reasonable given the anticipated continued decline in the average daily inmate population.

Recommendation

- The Budget and Legislative Analyst recommends amending the proposed resolution to specify that the Board of Supervisors will consider the appropriate size of the proposed replacement jail and associated project costs as part of the Board of Supervisors approval of the City's Ten-Year Capital Plan in the spring of 2016.

MANDATE STATEMENT

Chapter 29 of the City's Administrative Code requires that certain projects be submitted to the Board of Supervisors to find that the plan for implementing and undertaking a project is fiscally feasible[1] and responsible prior to submitting the project to the Planning Department for environmental review if (a) the project is subject to environmental review under the California Environmental Quality Act (CEQA), (b) total project costs are estimated to exceed $25,000,000, and (c) construction costs are estimated to exceed $1,000,000.

Chapter 29 specifies five areas for the Board of Supervisors to consider when reviewing the fiscal feasibility of the plan to implement and undertake a project, including the (1) direct and indirect financial benefits to the City, (2) construction cost, (3) available funding, (4) long term operating and maintenance costs, and (5) debt load carried by the relevant City Department. Chapter 29 also limits the definition of "fiscal feasibility" to mean only that the project merits further evaluation and environmental review with the following provision:

> "A determination by the Board (of Supervisors) that the plan for implementing and undertaking the project is fiscally feasible and responsible shall not include a determination as to whether the Project Sponsor or other unit of the government of the City and County should approve the project and it is the intent of the Board of Supervisors in requiring the determination to decide only whether the proposed project merits further evaluation and environmental review."

BACKGROUND

The City's Capital Planning Committee approved replacement of County Jail #3 and County Jail #4, currently located in the Hall of Justice at 6th and Bryant Streets, in the City's Ten-Year 2014-2023 Capital Plan. According to the Capital Plan, the Hall of Justice is seismically deficient, requiring the eventual relocation of all City departments located in the Hall of Justice. The jail to replace County Jail #3 and County Jail #4 currently being proposed by the Sheriff's Department and the Capital Planning Committee, would be a maximum security facility with a total capacity of 640 beds to be located adjacent to the current Hall of Justice. This would result in a 29% reduction in capacity from the existing 903 beds at County Jail #3 and County Jail #4. The proposed replacement jail will be designed similar to County Jail #5 in San Bruno with podular housing units, which allow for direct visual observation of inmates by deputy sheriffs. Facilities in the project would include program space for classrooms, vocation and computer training, and medical and mental health units for inmates.

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

The Controller's *County Jail Needs Assessment* forecasted a need in 2019 for a 489 to 684 bed jail to replace the current 903 bed jail. This decrease in needed jail capacity by 2019 corresponds to the decrease in average daily population in San Francisco's jails over the last several years. According to the Budget and Legislative Analyst's January 2014 report to the Board of Supervisors on the proposed project to replace County Jail #3 and County Jail #4, the average daily population decreased by 602 inmates, or 30 percent, from 2,015 inmates in 2008 to 1,413 inmates in 2013, due primarily to a decrease in felony arrests, and an increased use of alternatives to incarceration during the period.

DETAILS OF PROPOSED LEGISLATION

Approval of the proposed resolution by the Board of Supervisors would find that the plan to construct the proposed replacement jail adjacent to the Hall of Justice is fiscally feasible and responsible under San Francisco Administrative Code Chapter 29. Through this finding, the Department of Public Works may proceed with filing an environmental review of the project under Administrative Code Chapter 31 and the California Environmental Quality Act (CEQA).

Administrative Code Chapter 29 specifies five areas for the Board of Supervisors to consider when reviewing the fiscal feasibility of the plan to implement and undertake a project, including the (1) direct and indirect financial benefits to the City, (2) construction cost, (3) available funding, (4) long term operating and maintenance costs, and (5) debt load carried by the relevant City Department.

Direct and Indirect Financial Benefits

As with any construction project, a number of temporary construction jobs will be generated through the proposed replacement jail. The Department of Public Works has not estimated the number of temporary construction and related jobs created by the proposed project.

The proposed jail is replacing an existing facility, and as such the construction of the replacement jail is not anticipated to generate significant direct or indirect financial benefits to the City.

Construction Cost

The proposed replacement jail is estimated to cost $299,500,000, including $199,500,000 in construction costs, and (b) $100,000,000 in associated costs, which include project control, site control, program contingency, city service audits and furniture, fixtures & equipment, as shown in table 1 below.

Table 1: Estimated Jail Replacement Project Costs	
Category	**Amount**
Construction	$199,500,000
Project Control [1] (27.5% of construction costs)	$54,900,000
Site Control [2]	$30,700,000
Program Contingency [3] (2.2% of construction costs)	$4,300,000
City Services Audits [4] (0.3% of construction costs)	$600,000
Subtotal	**$290,000,000**
Furniture, Fixtures & Equipment	$9,500,000
Total Project Cost	**$299,500,000**

Source: Department of Public Works

[1] Planning, design, permitting, environmental review, project and construction management and other soft costs.

[2] Purchase of property adjacent to Hall of Justice

[3] Provides funds for unanticipated site conditions, design changes, construction cost increases, and other costs

[4] City Services Auditor costs, in conformance to Appendix F of the City's Charter

Available Funding

Under the City's Ten-Year 2014-2023 Capital Plan, construction of the proposed replacement jail would be financed by the issuance of Certificates of Participation[2] starting in FY 2016-17. According to Ms. Nadia Sesay, Director of Public Finance in the Controller's Office, the Certificates of Participation would be paid back over a period of 23 years ending in FY 2038-39, with total estimated principal, interest, reserve, and financing costs to the City's General Fund of $629,610,000. Average estimated annual payments are $27,356,957. Ms. Sesay advises that the issuance and payment of Certificates of Participation to cover $290,000,000 in estimated project costs would result in annual debt service that does not exceed the City's 3.25% limit on the percentage of discretionary revenue that can be used to fund annual debt service costs.

[2] Certificates of Participation (COPs) are a form of long-term debt sold to investors in consideration for a portion of the lease revenues from a specific City-owned property. Investors participate in lease revenues in the form of debt service payments. Under a typical COPs structure, the City leases a City-owned property to a trustee in consideration for a one-time lease payment from the trustee to the City that is equal to the proceeds from the issuance of such COPs. The trustee subsequently subleases the same City-owned property back to the City in return for semi-annual rent payments equal to the debt service (including principal and interest) due on the COPs. This lease-sublease structure is known as an asset transfer model. Under this type of asset transfer model, the City-owned property leased to the trustee serves as collateral to the trustee on the issued COPs. After the COPs are fully repaid by the City, the City-owned property, previously leased to the trustee, reverts back to the City.

Certificates of Participation for this project will repaid through annual General Fund appropriations by the Board of Supervisors, in contrast to General Obligation bonds which are secured by a levy on property tax assessments. This lack of guaranteed revenue typically means a lower Certificates of Participation credit rating and higher interest rates relative to General Obligation bonds.

Table 2: Estimated Project Financing Costs	
Category	**Amount**
Estimated Project Cost	$290,000,000
Interest, Reserve, and Other Financing Costs	339,610,000
Total Debt Service	**$629,610,000**
Annual Average	$27,356,957

Source: Controller's Office of Public Finance

The estimated $9,500,000 for furniture and fixtures, shown in Table 1 above, will be funded by appropriation from the General Fund operating budget in approximately FY 2018-19 when the replacement jail is scheduled to open. These funds are subject to Board of Supervisors approval.

Long Term Operating and Maintenance Costs

The proposed replacement jail will be a modern maximum security jail with a podular design similar to existing County Jail #5. Using the current facility operating and maintenance costs for County Jail #5 as a benchmark, the Department of Public Works estimated the annual costs, including utilities, for the new replacement jail at approximately $930,000. According to Ms. Bree Mawhorter, Sheriff's Department Chief Financial Officer, the Sheriff's Department's estimated annual facility operating and maintenance costs for the new replacement jail, excluding staffing, account for the size of the replacement jail on a square foot basis compared to County Jail #3 & County Jail #4. The updated estimate of these costs for the proposed replacement jail will be made available when the precise size of the proposed replacement jail has been determined.

Table 3: Estimated Non-Personnel Operations and Maintenance Costs for Proposed Replacement Jail	
Category	**Amount**
Facilities Maintenance Service Contract	$190,000
Facilities Maintenance Non-Personnel Services	65,000
Facilities Maintenance & Materials	110,000
Utilities	565,000
a. Natural Gas	*100,000*
b. Electricity	*105,000*
c. Water/Discharge	*200,000*
d. Garbage	*160,000*
Total	**$930,000**

Source: Department of Public Works

Staffing costs must also be considered in addition to non-personnel, operations and maintenance costs. According to Ms. Mawhorter, the Sheriff's Department expects deputy sheriff staffing to increase due to the podular design of the proposed replacement jail; therefore, the Sheriff's Department does not anticipate cost savings in the proposed replacement jail. However, Ms. Mawhorter notes that because the number of pods to be constructed has yet to be determined, an estimate of staffing costs will be made once the determination on the precise jail size has been completed.

Debt Load of the Jail

Debt incurred through the repayment of Certificates of Participation will be paid by the City's General Fund, not attributed to a specific department. As previously noted, Ms. Sesay reports that annual debt service to repay the Certificates of Participation will not exceed the City's 3.25% limit on the percentage of discretionary revenue that can be used to fund annual debt service costs.

FISCAL IMPACT

As stated previously, construction of the proposed replacement jail would be financed by the issuance of Certificates of Participation starting in FY 2016-17. The Certificates of Participation would be paid back over a period of 23 years ending in FY 2038-39, with total debt service including principal, interest and related financing costs to the General Fund estimated at $629,610,000. Estimated annual average debt service payments are $27,356,957.

POLICY CONSIDERATION

The Budget and Legislative Analyst recommends approval of the proposed resolution, which finds that the proposed replacement jail project is fiscally feasible. Approval of the proposed resolution would allow the Planning Department to undertake environmental review of the replacement jail project pursuant to CEQA. According to Department of Public Works staff, environmental review would begin in May 2014 and is estimated to take between 18 months and three years to complete.

Approval of the proposed resolution does not commit the Board of Supervisors to final approval of the proposed replacement jail project. Future Board of Supervisors approval is required for any appeal to the environmental review findings, and sale and appropriation of Certificates of Participation to fund the proposed replacement jail.

The City could potentially build a smaller replacement jail at a lower cost

According to the Budget and Legislative Analyst's January 2014 report to the Board of Supervisors on the proposed County Jail #3 and County Jail #4 Replacement Project, construction of a replacement jail adjacent to the Hall of Justice with fewer than the 640 beds as is currently proposed is reasonable, given the anticipated continued decline in the average daily inmate population. The Budget and Legislative Analyst estimated that a 384-bed replacement, which would be adequate if the average daily inmate population remains the same as the current average daily inmate population, would save approximately $96 million in project costs.

Because of the significant savings that could be achieved if the County constructs a smaller replacement jail than the proposed 640-bed replacement jail, the Budget and Legislative

Analyst recommended further analysis of the necessary size and bed capacity of the proposed replacement jail coinciding with completion of environmental review. According to the proposed resolution, the Sheriff's Department will review the size and scope of, and the budget for, the proposed jail replacement project following issuance of the City Services Auditor's updated County Jail Needs Assessment, scheduled for mid-2015. The Budget and Legislative Analyst recommends amending the proposed resolution to specify that the Board of Supervisors will consider the appropriate size of the proposed replacement jail and associated project costs as part of the Board of Supervisors approval of the City's Ten-Year Capital Plan in the spring of 2016.

RECOMMENDATIONS

1. Amend the proposed resolution to specify that the Board of Supervisors will consider the appropriate size of the proposed replacement jail and associated project costs as part of the Board of Supervisors approval of the City's Ten-Year Capital Plan in the spring of 2016.

2. Approve the proposed resolution as amended.