


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

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

June 10, 2022

TO: Government Audit and Oversight Committee

FROM: Budget and Legislative Analyst 

SUBJECT: June 16, 2022 Government Audit and Oversight Committee Meeting

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<p>Item 2 File 22-0544</p>	<p>Department: Municipal Transportation Agency (MTA)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve a new contract for parking meter coin and parking data collection services between SFMTA and LAZ Parking California, LLC for a term of five years, from approximately August 2022 through July 2027, with an option to extend for up to five additional years through July 2032, and an amount not to exceed \$50,798,833. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Under the proposed contract, LAZ would continue to provide coin collection at all parking meters and information technology and equipment related to coin collection. The contract also adds data collection services to improve the accuracy of demand-responsive parking pricing and optional analysis of the agency’s curb management policies. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Excluding the contingency amount and optional data services, annual costs for the initial term are \$4.7 million, which exceeds FY 2020-21 actual spending of \$4.2 million by 13.5 percent. Cost increases are due to: (a) an addition of an equipment budget to replace the existing vehicle collection fleet; (b) the addition of new data collection staffing to perform parking studies, and (c) increases in labor rates under the collective bargaining agreement. Coin collection and processing staff remains the same in the proposed contract. • Not including the costs of administrative support staff, new data collection services would be \$1.3 million over the initial term (\$261,000 annually) and \$1.4 million over the extension term for a total of \$2.7 million. Optional data services over the total ten-year term would be \$500,000. • The projected meter coin revenues over the ten-year total contract term are approximately \$51.5 million. After subtracting \$50.8 million in contract costs, the net revenue to the City would be approximately \$0.7 million. • Total net meter revenues for the next ten years, which include coins and credit card payments (\$621.8 million), meter replacement meter maintenance costs previously approved by the Board of Supervisors (File 21-0714, \$123.4 million), and the proposed contract’s costs (\$50.8 million) are approximately \$447.6 million. Net revenues support on-street parking programs and public transit. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

The San Francisco Municipal Transportation Agency (SFMTA) Parking Meter Program manages 26,000 metered spaces between on-street parking and parking lots for SFMTA and the Port of San Francisco (Port). The SFMTA uses demand-responsive pricing to adjust metered parking rates to reduce congestion and allow drivers to find parking more quickly. According to a memo from the SFMTA to the Board of Supervisors dated April 28, 2022, the SFMTA currently collects approximately \$6.2 million in annual parking meter coin revenues and has collected approximately \$180 million since 2012. Parking meter coin revenues support on-street parking programs and public transit. Although parking meter coin revenues have declined over time, providing the option to purchase parking time by coins allows people who do not have a credit card or phone to pay for parking and serves SFMTA’s goal to provide equitable transportation services.

Since 1978, the SFMTA has contracted with outside vendors to provide for the collection and counting of parking meter revenues and related support services. In 2012, the Board of Supervisors approved a contract between the SFMTA and Serco, Inc. for parking meter coin collections, counting, and support services for an amount not to exceed \$46.4 million. In 2021, the contract was assigned to LAZ Parking California, LLC (LAZ Parking) after LAZ Parking acquired Serco’s coin collection division. The contract will expire on July 31, 2022.

In 2021, SFMTA issued a Request for Proposals (RFP) for coin and data collection services and associated support. LAZ Parking was the only company that submitted a proposal. According to the SFMTA, the SFMTA conducted outreach to the parking industry prior to issuing the RFP and identified four potentially qualified vendors and determined that further outreach and re-advertising the RFP would not result in additional proposals from vendors. SFMTA contract procurement and compliance staff determined that LAZ Parking met minimum qualifications and that the proposal was responsive and authorized SFMTA staff to negotiate a contract with LAZ Parking.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new contract for parking meter coin and parking data collection services between SFMTA and LAZ Parking California, LLC for a term of five years, from approximately August 2022 through July 2027, with an option to extend for up to five additional years through July 2032, and an amount not to exceed \$50,798,833.

Under the proposed contract, LAZ Parking would provide:

- **Coin collection services** for single and multi-space meters;
- **Data collection services (new)**, including data and reporting related to meter condition, occupancy, inventory, parklets, construction sites, signage, and curb regulations (discussed in further detail below);
- **Coin delivery services** from parking meters to a SFMTA counting facility;
- **Support services**, including IT support for coin and data collection parking systems, revenue reconciliation, product support for meter electronic lock software and parking meter repair maintenance application, revenue reconciliation, and other services; and
- **Procurement services**, including procurement of parking meter cards and provision of parking meter support equipment to replace existing equipment that is nearly 10-years old and reaching the end of its useful life according to the April 2022 SFMTA memo. According to Appendix A of the proposed contract, the parking meter support equipment may include coin vaults, coin collection equipment, vehicle equipment and customization, meter equipment and other necessary equipment for coin collection and parking meter management.

New Data Collection Services

The proposed new contract includes new data collection services as well as optional data collection services that are not included in the existing contract. According to the April 2022 SFMTA memo, a new data collection crew will allow for an update to the underlying data used to support occupancy calculations and price changes for demand-responsive parking pricing. According to SFMTA Principal Administrative Analyst Alexiy Sukhenko, demand-responsive parking pricing is based on the block payment rate (i.e., a ratio of all paid time divided by all available parking time) and a computed value of all parked vehicles (paid and unpaid) compared to parked and paid vehicles (i.e., Sensor Independent Rate Adjustment (SIRA) coefficient). The block payment rate is updated throughout the year, but the SIRA coefficients are 10 years old and are based on the SFPark Pilot Program that ended in 2012 resulting in inaccurate estimates of Citywide parking utilization.

In addition, according to the SFMTA, the new data collection crew will enable the collection of more parking data to support strategic policy decisions, such as meter rates and time limits, new metered areas pricing etc., respond to requests for information from elected officials and the public, and support the City's new virtual permitting and pay-by-license plate technology. According to SFMTA Principal Administrative Analyst Sukhenko, new data collection support will conduct block level surveys either by visual observation or by automated license plate recognition technology to facilitate collection of residential parking permits and pay-by-license plate parking census.

The proposed new contract also includes optional data collection services that may be used for researching or conducting analysis for anything beyond current business processes related to

SFMTA curb management according to SFMTA Principal Administrative Analyst Sukhenko. For example, the SFMTA may use these services in cases of:

- new residential parking permits or metered areas of research and development;
- adjustments to residential parking permit zones (such as establishing new zones);
- new curb management policy research (such as establishing a pay or permit zone where residents can park for free, but visitors pay a metered rate);
- metered time limit studies (such as research on average time of stay in different parking areas to determine appropriate parking time limits);
- and other areas of research beyond existing business processes related to curb management.

FISCAL IMPACT

The not-to-exceed amount of the proposed contract is \$50,798,833 over the total ten-year term, which would be funded by the SFMTA’s Operating Budget. The sources and uses of funds are shown in Exhibit 1 below.

Exhibit 1: Proposed Contract Spending

	Proposed Annual Budget	Proposed Initial Term (5 Years)	Extension Term (5 Years)	Total Proposed Term (10 Years)
<i>Fixed Costs</i>				
Management Fees	1,456,200	7,281,000	7,963,098	15,244,098
Meter Maintenance Application	60,000	<u>300,000</u>	<u>330,000</u>	<u>630,000</u>
Subtotal, Fixed Costs	1,516,200	7,581,000	8,293,098	15,874,098
<i>Variable Costs</i>				
Program Management Staff	969,816	4,849,080	5,303,351	10,152,431
Coin Collection Staff	2,001,000	10,005,000	10,942,288	20,947,288
Parking Meter Cards	120,000	600,000	0	600,000
Support Meter Equipment	120,000	<u>600,000</u>	<u>660,000</u>	<u>1,260,000</u>
Subtotal, Variable Costs	3,210,816	16,054,080	16,905,640	32,959,720
<i>Subtotal, Fixed & Variable Costs</i>			\$25,198,738	\$48,833,818
Optional Data Services				500,000
Contingency (3%)				1,465,015
Total	4,727,016			\$50,798,833

Source: Appendix B of the Proposed Contract

Notes: Program Management Staff are non-collective bargaining agreement (CBA) labor includes 7.0 full-time equivalent administrative positions, including: program manager, coin and data collections manager, analyst, office manager, and three supervisors. Coin collection staff (20 FTE) are collective bargaining agreement (CBA) labor hourly rates are set by the CBA between LAZ Parking California, LLC and Teamsters Local 665. The proposed contract

budgeted amount is based on average spending from a six-month period in FY 2021-22 with a 15% increase to adjust for new data collection.

Increase in Annual Spending

Excluding the contingency amount and optional data services, annual costs for the initial term are \$4.7 million, which exceeds FY 2020-21 actual spending of \$4.2 million by 13.5 percent. The total ten-year cost of the new agreement is \$50.8 million or 9.5 percent higher than the \$46.4 million existing ten-year agreement.

Cost increases are due to: (a) an addition of an equipment budget to replace the existing vehicle collection fleet (as discussed above); (b) the addition of new data collection staffing (as discussed above) to perform parking studies, such as occupancy, utilization, and parking census and program management staff, and (c) increases in labor rates under the collective bargaining agreement, which escalate by 3 percent per year during the agreement. Coin collection and processing staff remains the same in the proposed contract.

In addition, fixed costs are decreasing. Management Fees consist of \$1.46 million per year for coin collection, data collection, and support services, which is approximately \$44,000 lower than the current agreement.¹ And software maintenance is decreasing from \$78,605 to \$60,000 per year.

Data Collection and Optional Services

Not including the costs of administrative support staff, new data collection services would be \$1.3 million over the initial term (\$261,000 annually) and \$1.4 million over the extension term for a total of \$2.7 million. Optional data services over the total ten-year term would be \$500,000.

Revenues

According to SFMTA Principal Administrative Analyst Sukhenko, the projected meter coin revenues over the ten-year total contract term are approximately \$51.5 million. After subtracting \$50.8 million in contract costs, the net revenue to the City would be approximately \$0.7 million.

Total net meter revenues for the next ten years, which include coins and credit card payments (\$621.8 million), meter replacement meter maintenance costs previously approved by the Board of Supervisors (File 21-0714, \$123.4 million), and the proposed contract's costs (\$50.8 million) are approximately \$447.6 million. Net revenues support on-street parking programs and public transit.

¹ The existing agreement's annual management fee is \$1.5 million and covers program management staff and non-personnel overhead. The proposed management fee is \$1.46 and only cover non-personnel overhead. Program management staff are budgeted separately in the proposed agreement at an annual cost of \$0.97 million and coin collection and processing staff have an annual cost of \$2 million. Program management and coin collection/processing staff may decrease in future years if coin payments decrease.

RECOMMENDATION

Approve the proposed resolution.

Item 3 File 22-0600	Department: Office of Contract Administration
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the contract for biosolids production and management services between Lystek International Limited and the City for a term of five years (from July 2022 through June 2027) and initial amount of \$16.4 million, with one two-year option to extend through June 2029 for an additional \$6.4 million, for a total possible contract duration of seven years and not to exceed amount of \$22.8 million. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The City’s two wastewater facilities, the Southeast Wastewater Treatment Plant and the Oceanside Wastewater Treatment Plant, produce approximately 60,000 wet tons of “Class B” biosolids per year. These biosolids can be used as a fertilizer to improve soil quality. The proposed contract entails the management and conversion of biosolids. SFPUC has increased conversion of biosolids due a change in state law that effectively eliminates sending biosolids to landfills. • Since the current contract with Lystek expired and could not be extended, OCA released a new solicitation for the same types of biosolids production and management services in March 2022. Lystek International was the only contractor to submit a bid and will continue to provide the same type of biosolids processing services except with the addition of the SynaGro Central Valley Compost site, which was not a part of the previous contract. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Estimated costs under the proposed contract are approximately \$15.1 million for the first five years of the contract (July 2022 through June 2027), and approximately \$22 million if the Department exercises the two-year extension option through June 2029. The not to exceed amount includes a 3.7 percent contingency to account for higher than budgeted inflation. Costs will be paid for by SFPUC Wastewater Enterprise funds. • Under the proposed contract, processing costs have increased approximately 55 percent (from an average of \$72 to approximately \$112) due to higher chemical and transportation costs. If operating costs do decrease significantly, as indicated by the regional consumer price index, the Department will consider rebidding the contract after 5 years. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to correctly state the not-to-exceed amount of 22,800,000 instead of 22,400,000. • 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

Treatment of Wastewater in San Francisco

The City's two wastewater facilities, the Southeast Wastewater Treatment Plant and the Oceanside Wastewater Treatment Plant, produce approximately 60,000 wet tons of "Class B" biosolids per year. These biosolids are used as a fertilizer to improve soil quality. The proposed contract entails the management and conversion of the City's biosolids from "Class B" to "Class A" biosolids. "Class B" biosolids is a designation for treated sewage solids that meets EPA guidelines for use as fertilizer and has undergone treatment to reduce (but not eliminate) pathogens. Class A biosolid products, such as liquid fertilizer or compost, have undergone pathogen elimination and are suitable for sale to a variety of horticultural or agricultural markets. Since 2017, Lystek International, a Canadian waste treatment technology company, has been responsible for the management and conversion of Class B biosolids into Class A. A different contractor, Denali Water Solutions, is responsible for transporting the biosolids to facilities outside of San Francisco after it has been processed at the City's wastewater treatment facilities. The City's contract with Denali Water Solutions LLC is for a three-year term (October 2019 through September 2022) with a not to exceed amount of \$8.7 million.

Previous Contract #63001 for Biosolids Beneficial Reuse Services

In March 2017, the Office of Contract Administration (OCA) released a solicitation for reuse services to either convert Class B biosolids into Class A marketable biosolid products or to process biosolids for energy and/or fuel production.¹

Lystek International submitted a bid and was awarded contract #63001 for the processing and conversion of Class B biosolids into Class A biosolids. In May 2017, the contract was executed with Lystek International for an initial 2-year total period from May 15, 2017 to May 14, 2019 with an initial not-to-exceed amount of \$500,000 and one three-year option to extend. The contract has been modified four times, increasing the not-to-exceed amount to \$5.7 million and extending the contract term to five years total (from May 2017 to May 14, 2022).

Because the current contract expires May 14, 2022, OCA will issue an emergency Purchase Order to pay for services from May 15, 2022 to July 1, 2022. Under contract #63001, Lystek operated the Lystek Fairfield Organic Material Recovery Center (OMRC), which received and processed wet

¹ Biosolids, as a byproduct of wastewater treatment, can also be used as a renewable energy resource.

biosolids from the City's two wastewater treatment plants. Exhibit 1 shows the number of tons of biosolids processed at the site from 2019 through 2021.

Exhibit 1: Tons of Biosolids Processed at the Lystek Fairfield Organic Material Recovery Center under Contract 63001

Year	Tons of Biosolids Processed
2018	11,470
2019	15,081
2020	11,458
2021	25,996
2022	14,373
Total	78,378

Source: OCA and SFPUC

As shown in Exhibit 1 above, the Lystek Fairfield Organic Material Recovery Center received and processed 78,378 combined tons of biosolids from the Oceanside Wastewater Treatment Plant and the Southeast Wastewater Treatment Plant under the contract with Lystek International. The contract has been used to process larger quantities of material each year as the SFPUC shifts away send biosolids to landfills, a practice which Senate Bill 1383 (California's Short-Lived Climate Pollutant Reduction Act) will effectively eliminate (see below).

New Solicitation to Procure Class A Biosolids Production and Management Services

Since the previous contract expired and could not be renewed, OCA released a new solicitation on March 29, 2022 for biosolids production and management services. The solicitation was a low bid solicitation, which means that the contract is awarded based on the lowest price that also meets the minimum requirements. As such, the solicitation was not scored and there were no panel members. Lystek International was the only contractor to submit a bid by the solicitation deadline. OCA staff determined that Lystek International's proposal met the minimum qualifications required by the solicitation and accepted their bid.

The solicitation for proposed contract 63002 required a minimum capacity of at least 35,000 tons of biosolids per year. In response to the solicitation, Lystek International offered two sites with a total annual capacity of 35,000 tons to meet the requirements for increased capacity. There was no minimum capacity requirement for the previous contract 63001.

Required Increase in Biosolids Processing Capacity due to Senate Bill 1383

SB 1383 is a set of regulations which seek to reduce the amount of organic material being sent to landfill. When biosolids are sent to a landfill, in addition to this being a waste of their nutrients, methane gas, a potent greenhouse gas, is produced. Conversely when used as a fertilizer, the nutrients of the biosolids replace fossil fuel-based fertilizers and have been shown to sequester carbon. For these reasons, the SFPUC transitioned away from any management practices which are not in compliance with SB 1383.

According to OCA staff, when contract 63001 was first procured in 2017, Lystek's biosolids management services represented a much smaller part of PUC's overall biosolids management strategy. However, the passage of SB 1383 in 2016 required the state to take additional steps to reduce methane emissions and meet emissions reduction targets, including reducing organic waste being sent to a landfill by 50 percent of the statewide 2014 level by 2020 and by 75 percent in 2025. As a result of SB 1383, the City has transitioned away sending biosolids to landfill and increased processing of biosolids for other uses.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the contract for biosolids production and management services between Lystek International Limited and the City for a term of five years (from July 2022 through June 2027) and initial amount of \$16.4 million, with one two-year option to extend through June 2029 for an additional \$6.4 million, for a total possible contract duration of seven years and not to exceed amount of \$22.8 million. The proposed resolution states the not to exceed amount is \$22.4 million, but that is a typographical error.

Proposed Contract #63002 for Class A Biosolids Production and Management Services

The proposed contract 63002 requires the contractor to provide the same type of biosolids processing services as the prior contract 63001 except with the addition of the SynaGro Central Valley Compost site, which was not a part of the previous contract. Additionally, contract 63002 includes a requirement that the contractor's facilities have a minimum annual capacity of 35,000 wet tons. In the previous contract, there was no minimum annual capacity requirement.

The services provided under the contract are to continue to produce Class A biosolids from Class B biosolids received from the Southeast and Oceanside Wastewater Treatment plants. Lystek International would operate two sites under the contract, described below:

- Lystek Fairfield Organic Material Recovery Center (17,500 wet tons)
 - This site, located at the Fairfield-Suisun Sewer District, transforms biosolids received from the treatment plants into a Class A liquid fertilizer product. Lystek then sells the fertilizer to area farmers.
- SynaGro Central Valley Compost facility (17,500 wet tons)
 - The SynaGro site, located in Merced County, utilizes composting technology to create a composted end product that can be used to promote plant growth.

FISCAL IMPACT

According to Appendix B of the proposed contract, the cost to process biosolids at the Lystek Fairfield site is \$111.73 per wet ton and is \$69.44 per wet ton at the SynaGro compost site. The difference in cost is due to different treatment processes and final products at each site.

Specifically, the Lystek Fairfield OMRC utilizes more expensive and complex technology to produce a liquid fertilizer, whereas the SynaGro CVC facility utilizes less costly composting methods. The SynaGro site is further away from Southeast Wastewater Treatment Plant (284 miles) than the Fairfield site (95 miles), resulting in higher transportation costs to the City, which in turn fully offsets the SynaGro site's lower processing costs. According to Appendix C of the proposed contract, costs may be escalated by regional inflation each year.

Exhibit 2 below summarizes the estimated costs of the first year of contract spending.

Exhibit 2: Projected Costs for the Lystek's Biosolids Management Contract from July 2022 through June 2029

Year	Lystek OMRC	SynaGro	Projected Tons Processed	Total
1	\$1,955,275	\$591,629	26,020	\$2,546,904
2	2,004,157	969,474	31,121	2,973,631
3	2,054,261	1,020,956	31,494	3,075,217
4	2,105,617	1,074,741	31,872	3,180,359
5	2,158,258	1,130,925	32,255	3,289,183
<i>Subtotal, initial term</i>	<i>10,277,568</i>	<i>4,787,726</i>	<i>152,762</i>	<i>15,065,294</i>
6	2,212,214	1,189,608	32,642	3,401,822
7	2,267,520	1,250,891	33,033	3,518,411
Total	\$14,757,301	\$7,228,225	218,437	\$21,985,526

Source: Office of Contract Administration

As shown in Exhibit 2, the estimated costs under the proposed contract are approximately \$15.1 million for the first five years of the contract (July 2022 through June 2027), and approximately \$22 million if the Department exercises the two-year extension option through June 2029. According to OCA staff, the projected costs are only an initial estimate based on the assumption that the downtown City core will return to pre-pandemic population levels and that total tonnage of biosolids will increase 1.2 percent each year of the contract after 2022. The estimates also assume that the costs per ton at each site will increase by 2.5 percent each year based on inflation price adjustments, which are allowed in the contract.

According to Department staff, it is estimated that 17,500 tons will be sent to the Lystek Fairfield facility and 8,520 tons will be sent to the SynaGro facility during the first year of the contract, and that the tons of biosolids sent to the SynaGro facility will increase by 2.6 percent each year until the final year of the contract when SynaGro will eventually be processing 15,930 tons (from July 2028 – June 2029). Overall, the cost estimate projects that a total of 152,762 tons of biosolids will be processed over the course of the initial 5-year term and an additional 65,675 tons would be processed if the 2-year extension option is exercised, for total tonnage of 218,437 from July 2022 through June 2029. Due to the impact of COVID-related population fluctuations, and uncertainty regarding the number of commuters projected to return to the City over the next

few years, OCA cannot provide estimates with certainty.

According to the Department, the remaining \$814,474 in the contract's \$22.8 million not to exceed amount may be needed as a buffer to account for additional potential price adjustments based on the Consumer Price Index (CPI).

Increase in Costs from Prior Contract 63001

According to the Department, \$5,549,668 (out of \$5,700,000 available) was spent under the previous contract for biosolids management for the processing of 78,378 tons of biosolids at the Lystek Fairfield OMRC facility for an average cost per wet ton of \$70.81.²

Under the previous Lystek contract, costs ranged between \$70-73.23 per ton to process at the Lystek Fairfield OMRC site, depending on whether the biosolids were sourced from the Oceanside or Southeast treatment plants.³ Under the proposed contract, processing costs at the Fairfield site have increased approximately 55 percent (from an average of \$72 to approximately \$112). According to Department staff, the cost increase is due to increase in the costs of several components of the service. Potassium hydroxide, a key part of the Lystek process, has increased from \$0.28 to \$0.56 per pound, a 100% increase, from January 2022 to June 2022. The price of transporting liquid fertilizer to ranchers, a responsibility of the contractor, has increased by 55% over 2021 rates due to fuel cost increases and a shortage of drivers. Labor costs as well as propane have also increased. These four items, which have increased in cost since 2017, represent the majority of the contractor's per unit processing costs. If operating costs do decrease significantly, as indicated by the regional consumer price index, the Department will consider rebidding the contract after 5 years.

Funding Source

Contract costs will be paid for by SFPUC wastewater rate payers.

RECOMMENDATIONS

1. Amend the proposed resolution to correctly state the not-to-exceed amount of 22,800,000 instead of 22,400,000.
2. Approve the resolution, as amended.

³ The proposed contract's processing rates are the same for both of the City's wastewater treatment facilities.

<p>Items 4, 5, 6 and 7 Files 22-0601, 22-0602, 22-0603, and 22-0604</p>	<p>Department: Office of Contract Administration (OCA)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolutions would authorize OCA to approve the following contracts with (i) Kemira Water Solutions for the purchase of ferric chloride and ferrous chloride with a not to exceed amount of \$26,000,000 (File 22-0601); (ii) TR International for the purchase of ferric chloride and ferrous chloride for a not to exceed amount of \$28,000,000 (File 22-0602); (iii) Univar Solutions USA Inc. for the purchase of sodium hypochlorite for a not to exceed amount of \$74,000,000. (File 22-0603); and (iv) Univar Solutions USA Inc. for the purchase of sodium bisulfite a not to exceed amount of \$19,000,000. (File 22-0604). <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Ferric chloride, ferrous chloride, sodium hypochlorite, and sodium bisulfite are required to process wastewater and water at facilities operated by the San Francisco Public Utilities Commission (SFPUC) and the Airport. • The Office of Contract administration procured the proposed contracts with competitive solicitations. Contracts were awarded to the lowest cost bids. Out of a total of two bidders, Univar Solutions USA Inc. (Univar) provided the lowest bid, and therefore was selected to be the supplier for sodium hypochlorite. Univar also provided the only bid for sodium bisulfite. Out of a total of two bids, Kemira Water Solutions provided the lowest bid, and therefore was selected to the primary awardee of ferric chloride and ferrous chloride. TR International was selected as the secondary awardee of ferric chloride and ferrous chloride. According to OCA, the reason there may have been a low number of bidders is because of the current state of the supply chain, such as the instability of chemical raw materials and increased fuel and transportation costs, has constrained potential vendors delivery capacity. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed not-to-exceed amounts are projections based on the bid amounts of each vendor multiplied by the total number of contract years (seven), rounded to the nearest million. Bid amounts are based on the City’s estimated annual quantity for each chemical and the price per gallon for each delivery location. Cost will be funded by the Water and Wastewater Enterprises and the Airport. • Prices for these chemicals increased by 23 to 142 percent between the current and proposed contracts. The proposed contracts allow price changes based on the relevant Producer Price Indexes (PPI) prepared by the Bureau of Labor Statistics every six months for the first two years of each contract and then annually thereafter. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolutions. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

Pursuant to Chapter 21 of the Administrative Code, the Office of Contract Administration (OCA) selects commodity and general services¹ suppliers through a low-bid solicitation process (instead of a Request for Proposal) to provide multiple chemicals used for the City's wastewater and water treatment process. In a low-bid solicitation, the vendor with the lowest bid price is awarded the contract. In March 2022, OCA issued an invitation for bids for the purchase of multiple chemicals² for the City's wastewater and water treatment process, which includes ferric and ferrous chloride, sodium hypochlorite, and sodium bisulfite. A total of fifteen contracts were awarded. Four contracts (the proposed resolutions) for sodium hypochlorite, sodium bisulfite and ferric ferrous chloride exceeded \$10 million, and therefore, required Board of Supervisors' approval.

Procurement Results

Out of a total of two bidders, Univar Solutions USA Inc. (Univar) provided the lowest bid, and therefore was selected to be the supplier for sodium hypochlorite. Univar also provided the only bid for sodium bisulfite. Out of a total of two bids, Kemira Water Solutions provided the lowest bid, and therefore was selected to be the primary awardee of ferric chloride and ferrous chloride. TR International was selected as the secondary awardee of ferric chloride and ferrous chloride. According to OCA, the primary awardee is the first source for the awarded goods, and the secondary awardee is a backup source. In the event the primary awardee fails to provide ferric ferrous chloride in accordance with the contract terms, the secondary awardee will then be required to provide the chemical until the primary awardee is ready and able to provide the chemicals.

Low Number of Bidders

According to OCA, the reason there may have been a low number of bidders is because of the current state of the supply chain, such as the instability of chemical raw materials and increased fuel and transportation costs, has constrained potential vendors delivery capacity. In addition, a

¹ The chemicals of the proposed contracts fall under the "commodity and general services" definition. As defined in Chapter 21, "commodity" shall specifically exclude legal and litigation related contracts or contracts entered into pursuant to settlement of legal proceedings, and employee benefits, including, without limitation, health plans, retirement or deferred compensation benefits, insurance and flexible accounts, provided by or through the City's Human Resources Department or the Retirement Board. "General Services" shall mean those services that are not Professional Services. General services include, but are not limited to, janitorial, security guard, pest control, parking lot management, and landscaping services.

² Ferric Ferrous Chloride, Sodium Hypochlorite, Sodium Hydroxide, Hydrofluosilicic Acid, Sodium Bisulfite, Aluminum Sulfate, Calcium Thiosulfate, Sulfuric Acid, Citric Acid, Antiscalant, GreenClean Liquid 5.0 Algaecide, Lime and Sodium Hypochlorite Small Sites

bidder who is a chemical distributor may not want to bid if the bidder knows the chemical manufacturer is also submitting a bid.

Prior to the solicitation, OCA and PUC formed created a Chemical Working Group with staff from SFPUC to develop a procurement strategy. The solicitation provided information to bidders that was not provided in previous solicitations such as for each location providing the number of storage tanks, storage capacity, number of deliveries and volume per delivery so bidders had more information to better forecast numbers on their end to submit a bid. OCA reports that it reached out to 24 bidders and followed up periodically with all bidders.

DETAILS OF PROPOSED LEGISLATION

The proposed resolutions would authorize OCA to approve the following contracts for the purchases of multiple chemicals:

1. **File 22-0601:** Kemira Water Solutions for the purchase of ferric ferrous chloride with an initial not to exceed amount of \$11,200,000 for three years, and \$14,800,000 for an extension option of four additional years. The proposed total not to exceed amount is \$26,000,000.
2. **File 22-0602:** TR International for the purchase of ferric ferrous chloride with an initial not to exceed amount of \$12,000,000 for three years, and \$16,000,000 for an extension option of four additional years. The proposed total not to exceed amount is \$28,000,000.
3. **File 22-0603:** Univar Solutions USA Inc. for the purchase of sodium hypochlorite with an initial not to exceed amount of \$32,000,000 for three years, and \$42,000,000 for an extension option of four additional years. The proposed total not to exceed amount is \$74,000,000.
4. **File 22-0604:** Univar Solutions USA Inc. for the purchase of sodium bisulfite with an initial not to exceed amount of \$8,000,000 for three years, and \$11,000,000 for an extension option of four additional years. The proposed total not to exceed amount is \$19,000,000.

All four of the proposed contracts have a total term of seven years from July 1, 2022 through June 30, 2029.

Goods Provided

The vendors will supply and deliver ferric chloride and ferrous chloride³, sodium hypochlorite⁴ and sodium bisulfite⁵ to the City. These chemicals are required to process wastewater and water at facilities operated by the San Francisco Public Utilities Commission (SFPUC) and the Airport. The chemicals are used for the City's drinking water treatment process, wastewater disinfection process, and water disinfection process to meet drinking water regulations. Exhibit 1 shows the estimated annual quantity of chemicals and delivery locations for each vendor.

³ Ferric chloride and ferrous chloride are used for the City's drinking water treatment process and controls odor, and manage sludge in the wastewater treatment process

⁴ Sodium hypochlorite is used to disinfect water to meet drinking water regulations.

⁵ Sodium bisulfite is used to remove residual chlorine in the wastewater disinfection process.

Exhibit 1: Summary of Estimated Annual Quantity of Chemicals and Delivery Locations by Vendor

Vendor	Chemical	Estimated Annual Quantity	Delivery Locations
Kemira Water Solutions (File 22-0601)	Ferric and ferrous chloride	1,270,700 gallons	Southeast Plant, Oceanside Plant, Northpoint Facility, Griffith Pump Station, Harry Tracy Water Treatment Plant, Mel Leong Treatment Plant at SFO Airport
TR International (File 22-0602)	Ferric and ferrous chloride	No estimated annual usage for secondary awardee	Southeast Plant, Oceanside Plant, Northpoint Facility, Griffith Pump Station, Harry Tracy Water Treatment Plant, Mel Leong Treatment Plant at SFO Airport
Univar (File 22-0603)	Sodium hypochlorite	5,683,200 gallons	Northpoint Facility, Channel Street Pump Station, Southeast Plant, Oceanside Plant, Treasure Island Plant, University Mound Reservoir, Harry Tracy Water Treatment Plant, Tesla Treatment Plant, Sunol Valley Treatment Plant, Sunol Valley Chloramination Facility, Site 3100, Pulgas Dechloramination Facility, Mel Leong Treatment Plant at SFO Airport, Merced Manor Reservoir – Central Pump Station, Millbrae Yard, F Street Well and Treatment Facility
Univar (File 22-0604)	Sodium bisulfite	1,347,900 gallons	Northpoint Facility, Southeast Plant, Pulgas Dechloramination Facility, Treasure Island Plant, Sunol Valley Chloramination Facility, and Oceanside Plant

Source: OCA and Contract Documents

According to OCA, the estimated annual volume of each chemical is based on usage reports from the previous year and analysis of historical data and unpredictable factors such as rain and drought which would dictate the amount of chemicals used at the wastewater and water treatment facilities. We were provided usage reports from the Wastewater Enterprise but not Water Enterprise so we could not verify the actual usage amount of the chemicals. The proposed term contracts set terms and prices for chemical purchases; they do not require ongoing purchases.

Performance measures and outcomes are not tracked nor required for the proposed contracts.

FISCAL IMPACT

Exhibit 2 below shows a summary of the bid and total not-to-exceed amounts of the four proposed contracts. The proposed not-to-exceed amounts are projections based on the bid amounts of each vendor multiplied by the total number of contract years (seven), rounded to the

nearest million. Bid amounts are based on the City's estimated annual quantity for each chemical and the price per gallon for each delivery location. According to OCA, it is the department's practice to round up the proposed contract amount. The not-to-exceed amounts are not a guarantee that the City will buy the proposed total amount of chemicals but is a not-to-exceed limit.

Exhibit 2: Summary of Proposed Contract Bid and Not-to-Exceed Amounts (Files 22-0601, 22-0602, 22-0603, and 22-0604)

Vendor	Chemical	Bid Amount	Total Not-to-Exceed Amount
Kemira Water Solutions (File 22-0601)	Ferric and ferrous chloride	\$3,709,409	\$26,000,000
TR International (File 22-0602)	Ferric and ferrous chloride	3,985,256	28,000,000
Univar (File 22-0603)	Sodium hypochlorite	10,529,184	74,000,000
Univar (File 22-0604)	Sodium bisulfite	2,638,893	19,000,000

Source: OCA

Funding sources are operating funds from SFPUC's Water Enterprise and Wastewater Enterprise, as well as operating funds from the Airport. SFPUC operating funds are funded by utility ratepayers (water and wastewater customers). Airport operating funds are from revenue collected by Airport tenants, concessions, and parking. According to OCA, if prices for the chemicals improve, OCA will rebid all contracts in three years.

Change in Chemical Costs

The proposed contracts for ferric chloride, ferrous chloride, and sodium bisulfite show significant cost increases for each chemical, summarized below in Exhibit 3.

Exhibit 3: Current and Proposed Chemical Prices

Chemical	Unit	Current Price	Proposed Price	\$ Change	% Change
Ferric chloride	Ton	\$1,119.91	\$2,715.24	\$1,595.33	142%
Ferrous chloride	Ton	\$1,071.13	\$1,406.24	\$335.11	31%
Sodium bisulfite	Ton	\$1,485.00	\$1,832.60	\$347.60	23%
Sodium hypochloride	Dry Pound	\$0.956	\$1.51	\$0.55	58%

Source: Current and Proposed Contracts

Note:

As shown above, chemical prices in each contract increased by 23 to 142 percent. According to OCA, this is because chemical prices are influenced by many factors including but not limited to, increased use of sodium bisulfite in food and beverage production, inflation in energy, transportation and shipping costs, plant shutdowns due to supply shortages.

The proposed contracts allow price changes based on the relevant Producer Price Indexes (PPI) prepared by the Bureau of Labor Statistics every six months for the first two years of each

contract and then annually thereafter. Given the volatility and escalation in these chemical prices, SFPUC and OCA have revised the price adjustment formula that will allow the City to address fluctuations every six months rather than annually, updated invoicing and delivery procedures for the supply of chemicals and will award a Secondary Contractor (TR International) for ferric chloride and ferrous chloride if the Primary Contractor (Kemira) fails to ensure a stable supply of reasonably priced chemicals.

RECOMMENDATION

Approve the proposed resolutions.

Item 8
File 22-0599

Department: Office of Contract Administration (OCA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the fifth amendment to the contract between OCA and Professional Contractor Supply for the purchase of hardware supplies for City Departments, increasing the total not-to-exceed contract amount by \$4,000,000 from \$7,500,000 to \$11,500,000, with no change to the contract term of August 15, 2017 through July 14, 2025.

Key Points

- On August 15, 2017, OCA entered into an as-needed contract with Professional Contractor Supply for hardware supplies. The original contract was awarded following a competitive process for a not-to-exceed amount of \$3,000,000, and a term of three years, from August 15, 2017 through July 14, 2020.
- The contract has been amended four times, most recently on July 27, 2021, extending the contract by four years for a new total contract term August 15, 2017 through July 14, 2025; increasing the not-to-exceed amount to \$7,500,000; and allowing for Catalog Prices Increases.
- As a result of this contract, City Departments are offered a range of equipment and supplies for purchase at a catalog discount price rate that ranges from 28-44 percent off the list price for a particular good

Fiscal Impact

- City Departments use this contract on an as-needed basis based on their business needs and available funding.
- From August 15, 2017 through April 15, 2022, \$6.8 million of the contract's \$7,500,000 not-to-exceed amount has been spent. The average monthly spend is \$122,282, and there are 38 months remaining in the contract, therefore an estimated \$4.6 million more will be spent from April 15, 2022 through the contract term end date of July 14, 2025. Given this calculation, the OCA proposes increasing the contract not-to-exceed amount by \$4,000,000.

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

On May 5, 2017, the Office of Contract Administration (OCA) issued an invitation for bids for an as-needed Hardware Supplies term contract (TC89400). Two out of three of the bidders, one of whom was Professional Contractor Supply, were deemed qualified and selected based on their low bids on 24 items.

On August 15, 2017, OCA entered into a contract with Professional Contractor Supply for hardware supplies. The original contract not-to-exceed amount was \$3,000,000 for a term of three years, from August 15, 2017 through July 14, 2020. The contract has been amended four times, as summarized below:

- Modification No. 1 (August 6, 2019): Allowed for Catalog Price Increases.
- Modification No. 2 (April 22, 2020): Allowed for the contract term to be extended one year, from July 14, 2020 to July 14, 2021; increased contract not-to-exceed amount by \$1,500,000 from \$3,000,000 to \$4,500,000; and updated contract terms to incorporate updates to the City Municipal Code.
- Modification No. 3 (October 27, 2020): Allowed for an increase in the contract not-to-exceed amount from \$4,500,000 to \$5,500,000
- Modification No. 4 (July 27, 2021): Allowed for a contract end date extension by four years for a new total contract term August 15, 2017 through July 14, 2025; Increased the not-to-exceed amount from \$5,500,000 to \$7,500,000; and allowed for Catalog Prices Increases.

As a result of this contract, City Departments are offered a range of equipment and supplies for purchase at a catalog discount price rate that ranges from 28-44 percent off the list price for a

particular good.¹ For example, an “18 Gauge Shear” that has a list price of \$329.16 would cost a City Department 39 percent less, or \$200.79.²

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the fifth amendment to the contract between OCA and Professional Contractor Supply for the purchase of hardware supplies for City Departments, increasing the total not-to-exceed contract amount by \$4,000,000 from \$7,500,000 to \$11,500,000, with no change to the contract term of August 15, 2017 through July 14, 2025.

FISCAL IMPACT

City Departments use this contract on an as-needed basis based on their business needs and available funding. As the contract with Professional Contract Supply approaches less than 30 percent remaining balance, OCA reevaluates whether the capacity, including the term length and not-to-exceed amount, should be increased.

From August 15, 2017 through April 15, 2022, \$6.8 million of the contract’s \$7,500,000 not-to-exceed amount has been spent. The average monthly spend is \$122,282, and there are 38 months remaining in the contract, therefore an estimated \$4.6 million more will be spent from April 15, 2022 through the contract term end date of July 14, 2025. Given this calculation, the OCA proposes increasing the contract not-to-exceed amount by \$4,000,000. See Exhibit 1 below.

¹ HVAC Equipment and Supplies, Pipes, Valves and Fittings, Hand Tools, Power Tools, Power Tool Supplies and Accessories, Material Handling, storage and Packaging, Safety and Security Supplies, Personal Protective Equipment, Electric Equipment and Supplies, Hardware and Fasteners, Batteries and Flashlights, Pumps and Plumbing Supplies, Pneumatic Tools and Supplies, Welding and Soldering Supplies, Outdoor Garden Equipment and Supplies, Paint, Lubricants, Sealants, Accessories, Metal Working and Machine Cutting Tools, Absorbents, Locks, Padlocks and Door Parts, Emergency Preparedness, Construction and Building Materials, and Cement

² Appendix A to Citywide Hardware Supplies Contract Modification No. 4. Modification No. 4 increased catalog prices effective July 27, 2021.

Exhibit 1. Citywide Hardware Supplies Contract with Professional Contractor Supply Usage Calculations

Total Spend to Date	\$6,847,8112
Months Since Contract Start Date (August 15, 2017), as of April 2022	56
Monthly Spend	\$122,282
Annual Spend	\$1,467,388
Number of Months Remaining (July 14, 2025)	38
Monthly Spend * Number of Months Remaining:	\$4,646,730
Less Current Balance:	\$652,188
Total Additional Funds Needed:	\$3,994,541

Source: OCA

Annual spending increased from \$1,055,542 in FY 2020-21 to \$4,036,095 to date in FY 2021-22. The increase in spending is primarily driven by purchases from MTA and PUC.

RECOMMENDATION

Approve the proposed resolution.

<p>Item 9 File 22-0537</p>	<p>Department: San Francisco Public Utility Commission</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance extends delegation of authority to enter into grant agreements under the SFPUC’s Green Infrastructure Grant Program to the SFPUC General Manager by two years through July 1, 2024. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The San Francisco Public Utilities Commission (SFPUC) Green Infrastructure Program awards grants of up to \$2 million to owners of properties of at least 0.5 acres with large, impervious areas to implement vegetation, soils, and other elements to soak up and store stormwater to support water conservation and reduce stormwater drainage. The maximum grant award is \$2 million. Grant recipients are required to maintain the green infrastructure for 20 years with the SFPUC authorized to conduct project inspections • The proposed ordinance incorporates changes to the program since the prior Board approval in June 2020. The ordinance increases the maximum cost per acre of stormwater managed from \$765,000 to \$930,000 with no change to total maximum grant award of \$2 million). Previous grants are amended to allow recipients to seek additional funding for unforeseen conditions during construction. The ordinance approves an increase in planning and design costs from 20% to 30% of total grant award. In addition to property owners, for-profit or nonprofit entities, individuals, or governmental entities may now apply for funding. Finally, grants will be awarded through a competitive application cycle, as opposed to a first come, first serve basis. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The Board of Supervisors authorized \$12 million in Sewer System Improvement Program funds in the SFPUC FY 2018-19 capital budget, funded by Wastewater Revenue Bonds. Since implementation of the Green Infrastructure Program, SFPUC has awarded \$11.5 million in grants (including contingencies) and spent \$450,000 on program costs, with \$26,346 in remaining funds. • SFPUC will allocate \$20,317,000 in new Green Infrastructure funds to the program, of which \$10,000,000 was appropriated in the FY 2022-23 capital budget and \$10,317,000 in the FY 23-24 capital budget. The source of funding is Wastewater Revenue Bonds. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Because the proposed extension of delegation of authority is consistent with prior Board of Supervisors actions, we recommend approval. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

The City has a combined sewer and stormwater system, and during periods of high rainfall, stormwater drainage can overwhelm the sewer system. The San Francisco Public Utilities Commission (SFPUC) Green Infrastructure Program awards grants of up to \$2 million to owners of properties of at least 0.5 acres with large, impervious areas to implement vegetation, soils, and other elements to soak up and store stormwater to support water conservation and reduce stormwater drainage. Examples of such projects include replacing impervious surfaces with permeable pavement and rain gardens and constructing vegetated roofs. To be eligible, a proposed project must be capable of capturing runoff from storms with rainfalls that exceed the 90th percentile or 0.75-inch total depth. SFPUC enters into 20-year grant agreements with property owners, which require the property owners to maintain the green infrastructure during the term of the agreements.

In February 2019 the Board of Supervisors authorized the San Francisco Public Utilities Commission (SFPUC) to make grants to owners of San Francisco properties with large, impervious areas to construct green infrastructure projects on their parcels, using vegetation, soils, and other elements and practices that mimic nature to soak up and store stormwater (File 18-1113, Ordinance 26-19). The ordinance authorized the SFPUC General Manager to approve agreements with terms of up to 20 years without further approval of the Board of Supervisors. Funding for the program was provided through SFPUC’s Green Infrastructure Program for grants up to \$2 million. In June 2020, the Board of Supervisors amended the ordinance (File No. 20-0454) to extend the SFPUC General Manager’s authority for an additional two years through July 1, 2022 and authorized the General Manager to execute new agreements without requiring prior approval by the SFPUC Commission at a public hearing. The ordinance required the SFPUC to submit quarterly written reports to the Board of Supervisors summarizing the grant agreements the SFPUC has entered into during the prior quarter.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance extends delegation of authority to enter into grant agreements under the SFPUC’s Green Infrastructure Grant Program to the SFPUC General Manager by two years through July 1, 2024.

The maximum term of these grant agreements is 20 years from the time of the project completion date, as defined in the grant agreement. The SFPUC will still be required to submit quarterly reports to the Clerk of the Board of Supervisors summarizing agreements the SFPUC

has entered into during the prior quarter. Grant recipients are required to maintain the green infrastructure for 20 years with the SFPUC authorized to conduct project inspections and to claim remedies should grantees fail to maintain the project for the full term of the agreed upon project period.

The proposed ordinance incorporates several additional changes to the program since the prior Board approval in June 2020. The ordinance increases the maximum cost per acre of stormwater managed from \$765,000 to \$930,000 to account for inflation. (There is no change to total maximum grant award of \$2 million). Previous grants are amended to allow recipients to seek additional funding for unforeseen conditions during construction. The ordinance approves an increase in planning and design costs from 20% to 30% of total grant award. In addition to property owners, for-profit or nonprofit entities, individuals, or governmental entities may now apply for funding. Finally, grants will be awarded through a competitive application cycle, as opposed to a first come, first serve basis.

Performance monitoring

SFPUC has provided a summary of actions undertaken to date by SFPUC of performance review and verification that grant funds are being properly allocated and properly spent, as shown in Exhibit 1. According to Ms. Sarah Bloom (Senior Watershed Planner), expenditure verification is not conducted until the 2nd grant payment request for construction funds. Projects in the design phase are required to submit interim plans for SFPUC review.

Exhibit 1: Program oversight

Project Name	Verification activities to Date
Lafayette Elementary School	Proof of paid invoices, final construction inspection; annual maintenance inspection
St. Thomas More School	Review of interim design submittals
Bessie Carmichael Middle School	Proof of paid invoices, final construction inspection, annual maintenance inspection
Lycee Francais SF Ortega Campus	Proof of paid invoices, interim construction inspections
Holy Trinity Greek Orthodox Church	Progress check ins with grant teams, working towards first design submittal
Crocker Amazon Park	Progress check ins with grant teams, working towards first design submittal
St. Thomas the Apostle	Progress check ins with grant teams, working towards first design submittal
St. Monica Catholic Church	Progress check ins with grant teams, working towards first design submittal
St. Anne of the Sunset	Review of interim design submittals
St. Emydius Church and School	No expenditures paid yet, execution of grant agreement in progress
Church of the Visitacion	No expenditures paid yet, execution of grant agreement in progress

FISCAL IMPACT

The Board of Supervisors authorized \$12 million in Sewer System Improvement Program funds in the SFPUC FY 2018-19 capital budget, funded by Wastewater Revenue Bonds. Since implementation of the Green Infrastructure Program, SFPUC has awarded \$11.5 million in grants (including contingencies) and spent \$450,000 on program costs, with \$26,346 in remaining funds. Exhibit 2 shows the sources and uses of total program funding and awards.

Exhibit 2: Sources and Uses SFPUC GI Grant Program (FY20-22)

Sources:	
Sewer System Improvement Program	\$12,000,000
Total Sources:	\$12,000,000
Uses:	
Lafayette Elementary School	\$487,891
St. Thomas More School	\$1,118,958
Bessie Carmichael Middle School	\$428,075
Lycee Francais SF Ortega Campus	\$480,985
Holy Trinity Greek Orthodox Church	\$1,577,161
Crocker Amazon Park	\$859,151
St. Thomas the Apostle	\$724,227
St. Monica Catholic Church	\$641,413
St. Anne of the Sunset	\$1,557,898
St. Emydius Church and School	\$873,136
Church of the Visitation	\$1,727,103
<i>Grant Subtotal</i>	<i>\$10,475,998</i>
<i>Grant Contingency (10%)</i>	<i>\$1,047,600</i>
Project Management Consultant	\$371,655
SFPUC Labor	\$78,401
<i>Administrative Subtotal</i>	<i>\$450,056</i>
Total Uses	\$11,973,654
Remaining Program Balance	\$26,346

SFPUC will allocate \$20,317,000 in new Green Infrastructure funds to the program, of which \$10,000,000 was appropriated in the FY 2022-23 capital budget and \$10,317,000 in FY 23-24 capital budget. The source of funding is Wastewater Revenue Bonds. Exhibit 3 shows the \$20.3 million funding allocation in FY 2022-23 and FY 2023-24, of which \$0.5 million is for program costs and \$19.7 million is allocated to grants and contingencies.

Exhibit 3: Projected Sources and Uses of SFPUC GI Grant Program (FY22-24)

Sources:	
Wastewater Revenue Bonds (new allocation)	\$20,317,000
Rollover Funds from Prior Years	\$26,346
Total Sources:	\$20,343,346
Uses:	
Project Management Consultant	\$450,000
SFPUC Labor	\$100,000
<i>Administrative Subtotal</i>	<i>\$550,000</i>
Total Projected Uses	\$550,000
Total Projected Available Grant Funds	\$19,793,346

RECOMMENDATION

Because the proposed extension of delegation of authority is consistent with prior Board of Supervisors actions, we recommend approval.

<p>Item 15 File 22-0554</p>	<p>Department: Police Department (POL)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution authorizes the Director of Property, on behalf of the Police Department, to amend the lease of real property located at 750 and 752 Vallejo Street with Evans Investment Partners, LLC, at a base rent of \$120,792 per year and extends the term of the lease for five years for a total term of August 15, 2017 through August 15, 2027. In addition, the proposed amended lease adds two additional five-year options to extend the lease at 95 percent fair market rental value and allows for tenant improvements not to exceed cost to the City of \$241,582. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The City has an existing lease with Evans Investment Partners, LLC for a portion of the building located at 752 Vallejo Street, next to Central Station, which is used by 10 Police investigators. The Police Department desires to extend and expand the existing leased site to include 750 Vallejo Street to provide sufficient office space for 12 other investigative unit personnel who have been located in the Central Station squad room on a temporary basis. • Under the proposed amended lease, the landlord will provide a tenant improvement allowance of \$25,800 for the expansion and the City will pay for additional tenant improvements up to \$241,582, for a total of up to \$267,382 in tenant improvements. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Base rent starts at \$120,792 and escalates by 3 to 5 percent annually. Total annual costs, including base rent, taxes, maintenance, and utilities starts at \$158,561. Rent and operating costs for the five-year term would be \$837,583. Costs are paid by the General Fund. • The proposed base rent of \$47 per square foot is less than the current base rent of \$58.48, which provides approximately \$150,000 in savings over five years and offsets the City’s tenant improvement costs of \$241,582. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The City’s Ten-Year Capital Plan for Fiscal Years 2022-2031 notes that Central Station is “functionally inadequate” and recommends that it be replaced. The estimated replacement cost is \$75 million and states that it will likely be funded by a future earthquake and emergency response (ESER) safety general obligation bond. • Real Estate reports it has requested an updated to March 2021 appraisal, which will be ready prior to the June 16, 2022 Government Audit and Oversight meeting. <p style="text-align: center;">Recommendations</p> <ol style="list-style-type: none"> 1. Request the Capital Planning Committee, Public Works, and the Police Department ensure that the Central Station Replacement plan include sufficient space for investigative staff to allow the City to terminate this lease once the new station is fully developed. 2. Approve the proposed resolution, subject to the findings of the pending appraisal report. 	

MANDATE STATEMENT

Administrative Code Section 23.27 states that the Board of Supervisors shall approve all leases on behalf of the City as tenant by resolution for which the term is longer than a year and costs over \$15,000 per month.

BACKGROUND

Current Lease

The City, on behalf of the Police Department, has an existing lease with Evans Investment Partners, LLC for a portion of the building located at 752 Vallejo Street that is dated May 1, 2017 to provide office space for the investigative unit of Central Station. The leased premises are 750 square feet. The rent of the current lease is \$58.48 per square foot per year. The site is adjacent to Central Station and is separated by Emery Lane. The existing lease will expire on August 15, 2022.

The Police Department desires to extend and expand the existing leased site by an additional 1,820 square feet to include 750 Vallejo Street for a total of 2,570 square feet to provide sufficient office space for investigative unit personnel who have been located in the Central Station squad room on a temporary basis. This will provide additional space and privacy for investigators and allow officers to use the squad room for line-ups and briefings.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes the Director of Property, on behalf of the Police Department, to amend the lease of real property located at 750 and 752 Vallejo Street with Evans Investment Partners, LLC, at a base rent of \$120,792 per year and extends the term of the lease for five years for a total term of August 15, 2017 through August 15, 2027. In addition, the proposed amended lease adds two additional five-year options to extend the lease at 95 percent fair market rental value and allows for tenant improvements not to exceed cost to the City of \$241,582.

Lease Details

Exhibit 1 below shows the proposed lease terms.

Exhibit 1: Proposed Lease Terms

Premises	First floor of 750 and 752 Vallejo Street
Rental area	2,570 square feet
Base rent	\$47.00 per square foot per year (\$120,790 annually)
Base rent adjustments	Three percent per year, based on regional inflation
Term start and end	August 15, 2017 through August 15, 2027
Options to extend	Two additional five-year options to extend
Utility costs	Paid by landlord, except for separately metered utilities
Janitorial Services	Paid by City
Real Estate Taxes & Building Operating Costs	24.05% of Real Estate Taxes and Building Operating Costs Paid by City

Source: Real Estate Division

Consistent with the current lease, the proposed lease stipulates that the Landlord will pay for utilities for the building, except for any separately metered utilities, which are to be paid by the City. The lease also requires that the City pay a portion of the real estate taxes and building operating costs based on the proportion of square footage of the leased premises compared to the building overall, which is increasing due to the expansion.

Tenant Improvements

Under the proposed amended lease, the landlord will provide a tenant improvement allowance of \$25,800 for the expansion (\$14.18 per square foot), and the City will pay for additional tenant improvements up to \$241,582, for a total of up to \$267,382 in tenant improvements. According to Jeff Suess, Senior Real Property Officer at the Real Estate Division, tenant improvements would include 2 new ADA restrooms, 2 offices, HVAC, paint and carpet, life safety systems, 12 workstations, rolling shutter for front entrance, ballistic panels and associated soft costs, and be completed within 30 to 60 days of execution of the proposed amended lease, depending on the availability of contractors and supplies.

Site Appraisal

The Real Estate Division obtained an appraisal from Colliers International Valuation and Advisory Services which determined that the proposed rent of \$47 per square foot per year was consistent with fair market rent as of March 2021.

Site Use

The Police Department plans to use the expanded site as additional office space for the Investigative Unit. The Police Department currently has 10 officers at the site and will move the remaining 12 officers temporarily located in the Central Station squad room if the proposed amended lease is approved. The space use of 117 square foot per officer is reasonable.

FISCAL IMPACT

The proposed resolution authorizes the lease of 750 and 752 Vallejo Street to the City for a base rent of \$120,792 annually, or \$47.00 per square foot per year. Exhibit 2 shows a breakdown of the rent and associated costs with the lease of the site:

Exhibit 2: Annual Base Rent and Operating Costs for 750 and 752 Vallejo Street Lease

Item	Cost
Rent	\$120,792
Real Estate Taxes & Building Maintenance	\$22,092
Janitorial & Security	\$7,967
Utilities	\$7,710
Total	\$158,561

Source: Real Estate Division.

As shown in Exhibit 2 above, the total annual costs for the proposed lease are \$158,561. The proposed lease increases rent annually by three percent. Therefore, the rent and operating costs for the five-year term would be \$837,583, assuming service costs escalate at three percent annually and real estate taxes escalate at two percent annually. If the two five-year options to extend are exercised, we estimate the costs for the option term would be between \$2,055,377, for a total cost of \$2,892,960. The proposed lease costs are funded by the General Fund within the Police Department’s Operating budget.

Change in Base Rent and Total City Costs

The proposed base rent of \$47 per square foot is less than the current base rent of \$58.48, which provides approximately \$150,000 in savings over five years and offsets the City’s tenant improvement costs of \$241,582.

POLICY CONSIDERATION

Central Station Replacement

The City’s Ten-Year Capital Plan for Fiscal Years 2022-2031 notes that Central Station is “functionally inadequate” and recommends that it be replaced. The estimated replacement cost is \$75 million and states that it will likely be funded by a future earthquake and emergency response (ESER) safety general obligation bond. The most recent ESER bond authorization, \$628

million for 2020 ESER bonds (Files 20-1294 & 20-1295) did not include Central Station in the project list but did include funding for Taraval and Ingleside Stations.

We recommend the Board of Supervisors request the Capital Planning Committee, Public Works, and the Police Department ensure that the Central Station Replacement plan include sufficient space for investigative staff to allow the City to terminate this lease once the new station is fully developed.

Appraisal

Administrative Code Section 23.27 states that an appraisal is required for all City-as-tenant leases if the cost per square foot is more than \$45 and that such appraisals be completed within nine months prior to when the legislation approving the lease is submitted to the Board of Supervisors. The date of the appraisal for 752 Vallejo is March 5, 2021 or 14 months prior proposed resolution's May 2022 introduction date. For this reason, we consider approval to be a policy matter for the Board of Supervisors. Real Estate reports it has requested an updated to the appraisal, which will be ready prior to the June 16, 2022 Government Audit and Oversight meeting.

RECOMMENDATIONS

1. Request the Capital Planning Committee, Public Works, and the Police Department ensure that the Central Station Replacement plan include sufficient space for investigative staff to allow the City to terminate this lease once the new station is fully developed.
2. Approve the proposed resolution, subject to the findings of the pending appraisal report.