

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: September 18, 2024 Budget and Finance Committee Meeting

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| | |
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| <p>Item 1 File 24-0752</p> | <p>Department: Children, Youth and Their Families (DCYF)</p> |
| <p>EXECUTIVE SUMMARY</p> | |
| <p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would retroactively approve a grant agreement between DCYF and SFUSD. The grant has a term from July 1, 2024 to June 30, 2025 for a total not-to-exceed amount of \$26,519,360. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Proposition G, approved by San Francisco voters in November 2022, established a Student Success Fund in the City Charter to fund programs at SFUSD to improve academic achievement and emotional/social well-being. • The proposed grant agreement funds two types of grants: (1) District Innovation Grants, for programs at multiple schools; and (2) Student Success Grants, for programs at 53 individual schools. Grant funding is also provided for the development and implementation of new programs. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed agreement funds \$14,419,360 for Student Success Grants, \$11,050,000 for District Innovation Grants, and \$1,050,000 for program administration. • The FY 2024-25 budget included \$35,000,000 in appropriations from the Student Success Fund. Net of the proposed \$26,519,360 grant, the remaining \$8,480,640 will be retained by DCYF for additional technical assistance to SFUSD, program administration, and hiring a program evaluator. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • In our prior report on this item, we noted that the proposed grant did not have well-defined services, outcomes, and performance metrics. In response, DCYF has developed a revised grant agreement that establishes high-level goals and specifies DCYF fiscal oversight. Services and program-level performance are still not in the grant agreement. • The District is in the process of developing a “resource alignment” plan to merge and close schools. The list of impacted schools is not known as of this writing but could include recipients of the proposed grant. The SFUSD staff proposal to the Board of Education is expected to be released in September or October 2024. The Board of Supervisors could postpone approval of this resolution until the District’s resource alignment plan is finalized. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Request DCYF amend the proposed grant agreement to define the programs that will be funded, including the population to be served, operating period, activities, work of subcontractors, and program-level performance measures. • 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

Proposition G, approved by San Francisco voters in November 2022, established a Student Success Fund in Section 16.131 of the City Charter. The purpose of the Fund is to provide “additional resources to the San Francisco Unified School District (SFUSD) to accomplish grade-level success in core academic subjects and improve social/emotional wellness for all District students,” according to the Charter. Section 16.131 establishes that the Fund is to be administered by the Department of Children, Youth and Their Families (DCYF). Annual appropriations to the Fund are provided by a portion of a fund source known as excess Educational Revenue Augmentation Fund (ERAF).¹

The Charter amendment establishing the Student Success Fund provides for the following annual appropriations from excess ERAF:

- \$11 million in FY 2023-24;
- \$35 million in FY 2024-25;
- \$45 million in FY 2025-26;
- \$60 million in FY 2026-27;
- For FY 2027-28 through FY 2037-38, the appropriation is based on the prior year’s appropriation, adjusted by the annual percentage change in aggregate discretionary revenues (up to a three percent annual increase).

According to the Charter, the Student Success Fund provides three types of grants: Student Success Grants (for individual schools), Technical Assistance Grants (to develop programs), and District Innovation Grants (funding programs across multiple schools). An open and competitive solicitation process to award this agreement is not required because grant funds are being awarded to a government entity, in this case the School District, for programs performed only by that entity, pursuant to Administrative Code Section 21G.3.

¹ Excess ERAF refers to the amount of property tax revenues initially diverted from the City to help the state meet its funding obligations for k-14 education. The amount that exceeds these entities’ revenue limits is returned to the City as so-called “excess ERAF.” The excess ERAF revenues are budgeted at a total of \$365.1 million in FY 2023-24, \$311.6 million in FY 2024-25, and \$294.8 million in FY 2025-26, according to the Controller’s Office Revenue Letter for FY 2024-25 and FY 2025-26.

Per the Charter, grant funds may not be used to pay for core school staffing and the District is required to hire one full-time (or full-time equivalent) School District Coordinator to manage and coordinate the community school framework district-wide, and provide training and support for each eligible school’s Community School Coordinator. The City may allocate up to 3.5 percent of annual appropriations from the Fund for program administration.

FY 2023-24 Student Success Grant

In FY 2023-24, DCYF provided a of \$9,008,250 grant to the District, which was not subject to Board of Supervisors approval because it was less than \$10 million.

According to the Department, the District had invoiced for \$2,208,250 of the total \$9,008,250 (or 24 percent) as of July 29, 2024. The Department expects the District to invoice for additional expenditures but not the full amount of the grant. Unspent funds from FY 2023-24 may be reallocated among other allowable uses or returned to the Student Success Fund reserve, according to DCYF. The Department noted that FY 2023-24 was the first year of distributing Student Success Fund grants, and there was a delay in issuing the Request for Proposals by the District to schools and not all schools were able to submit timely proposals.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve a grant agreement between DCYF and SFUSD. The grant has a term from July 1, 2024, to June 30, 2025, and a total not-to-exceed amount of \$26,519,360.

Grant Award

DCYF and the School District established evaluation criteria to disburse Student Success Fund grants to District schools. Eligible schools scored at least 65 points out of 100 to be considered for a grant, based on the scoring rubric shown in Appendix 1 to this report. SFUSD and DCYF staff evaluated schools against the scoring criteria and made funding awards.² Appendix 2 to this report lists the schools that would receive funding.

DCYF and the School District have determined the total amount of grant funding for District Innovation grants but are still establishing the evaluation criteria for District Innovation program proposals

Services

The proposed grant agreement allows DCYF to fund the following types of grants for the School District in FY 2024-25:

- **District Innovation Grants** to the School District for four programs—Innovation Grants, Rapid Response, Technical Assistance, and Workforce Pipeline—to fund programs to

² The scoring panel included the SFUSD Director of Community Schools; SFUSD Assistant Superintendent, Student and Family Services Division; SFUSD Director of Strategic Initiatives; DCYF Director of Programs, Planning and Grants; DCYF Manager of Community Schools; and DCYF Program and Planning Manager.

support students' academic achievement and social emotional well-being; these strategies also support schools with emerging needs or provides workforce support to SFUSD to help move towards academic achievement.

- **Student Success Grants** to fund programs at individual schools to improve academic achievement and social/emotional wellness.
- **Readiness Grants** a be awarded to help schools develop such programs.

Unlike other DCYF grants, the proposed contract does not define the scope of services for underlying District Innovation or individual school Student Success program grants in any further detail. DCYF grants typically detail the population to be served, operating period, activities, work of subcontractors, goals, and performance measures.

Performance Measurement

Charter Section 16.131(e)(7) requires DCYF and the District to clearly define goals and measurable outcomes for each grant. In our report for the September 4, 2024 Budget & Finance Committee meeting, we noted that the original proposed grant did not have well defined services or performance metrics. At the request of the Committee members, DCYF revised the grant agreement. The revised grant agreement now requires “benchmarks of impact” be developed for each school site, with schools required to meet their benchmarks in 2027 in order to continue to receive funding.³ The benchmarks of impact will depend on each school or District program proposal to DCYF. The proposed grant includes “goals and guardrails,” described below, to establish overall goals for each Student Success or District Innovation grant-funded program.

³ The proposed grant has a term July 2024 – June 2025 but the Charter requires ongoing annual funding from the City to the School District.

Exhibit 1: Grant Goals and Guardrails for Student Success and District Innovation Grant Funding

| Goals | |
|-----------------------------------|---|
| Third-Grade Literacy | Percentage of all third-grade students reading at grade level as measured by state tests (SBAC ⁴ English Language Arts) will increase from 52 percent proficiency rate in October 2022 to 70 percent proficiency by October 2027. |
| Eighth-Grade Math | Percentage of all eighth-grade students performing math at grade level as measured by the state tests (SBAC Math) will increase from 42 percent proficiency rate in October 2022 to 65 percent proficiency by October 2027. |
| College/Career Readiness | Percentage of all high school 12th graders who are “college/career ready” as defined by the California Department of Education will increase from 57.5 percent in June 2020 to 70 percent by June 2027. |
| Guardrails | |
| Effective Decision-Making | The superintendent will not make major decisions without utilizing a process — that includes meaningful consultation with the parents/guardians, students, and staff who will be impacted by those decisions — at the inception, adoption, and review. |
| Serving The Whole Child | The superintendent will not take approaches that neglect the cognitive and academic development, social and emotional development, identity development, physical and mental well-being, or ethical and moral development of students. |
| Curriculum and Instruction | The superintendent will not allow curriculum and instruction not rooted in excellence, not challenging and engaging, not student-centered, not culturally responsive, or not differentiated to meet the academic needs of all students. |
| Resource Allocation | The superintendent will not allow resources to be allocated without transparently communicating how the allocations are baseline sufficient to operate all schools while addressing inequitable inputs and creating more equity and excellence in student outcomes. |
| Strategic Partnerships | The Superintendent will not impede collaboration with the City of San Francisco, state and federal agencies, community-based organizations, philanthropic organizations, and the business community to advance the District’s goals and values. |

Source: DCYF

The revised grant agreement states that failure to meet specified requirements will result in either a reduction or total loss of Student Success Fund grant funding for implementation and/or readiness grants. Those requirements include, for example, hiring a Community School

⁴ Smarted Balanced Assessment Consortium (SBAC) refers to the state standardized test.

Coordinator, attending all mandatory meetings and activities, and participating in all assessments and evaluations of progress.

The proposed revised grant also now specifies that Student Success or Readiness grant funding cannot be used to fund “core staff.”

Charter Section 16.131(g) requires DCYF to submit an outcomes report to the Mayor and Board of Supervisors by May 1 each year based on student outcomes data reported by the District and eligible schools for both academic and social/emotional programs. The evaluation did not take place for the \$9 million in funding allocated to the School District in FY 2023-24.

Fiscal Monitoring

The revised grant agreement specifies that DCYF will provide fiscal oversight for schools’ Student Success Fund grants, including reimbursing schools for grant expenditures based on submitted invoices. The District’s Central Office is required to provide quarterly invoicing and back-up documentation for each school site.

FISCAL IMPACT

The proposed agreement has a not-to-exceed amount of \$26,519,360, including \$1,050,000 for program administration, as shown in Exhibit 2.

Exhibit 2: Student Success Fund FY 2024-25 Budget for San Francisco Unified School District

| Category | Program | Scope of Work | Budget |
|------------------------|----------------------------|---|---------------------|
| District Innovation | District Innovation Grants | Support for creative and innovative programs/initiatives that are co-designed by school sites and SFUSD. Program to be implemented at multiple school sites. | \$7,000,000 |
| | Rapid Response | School sites identify scenarios defined as a crisis and/or emergency for which access to funding is needed. All scenarios are to be approved by the School Site Council. | 3,300,000 |
| | Technical Assistance | Support for implementing the community schools' model and preparation for long-term funding. | 500,000 |
| | Workforce Pipeline | Expand SFUSD educator and college pathways and address workforce shortages in paraprofessional, social worker, nurse, and after-school staffing. | 250,000 |
| Subtotal | | | \$11,050,000 |
| Student Success Grants | Implementation Grants | Designed for sites that have hired, or have identified their Community Schools Coordinator, or have completed their Community Schools Implementation Plan and are ready to expand or deepen their existing work. | \$7,789,360 |
| | Readiness Grants | Designed for sites that need support to meet the eligibility criteria for Student Success Fund Implementation Grants. At the end of the grant period, sites are expected to have a Community School Coordinator in place and to have completed an assessment and implementation plan. | \$6,630,000 |
| Subtotal | | | \$14,419,360 |
| Program Administration | | | \$1,050,000 |
| Total | | | \$26,519,360 |

Source: DCYF

The FY 2024-25 – FY 2025-26 budget included \$35 million from the Student Success Fund in FY 2024-25. The remaining \$8,480,640 will be retained by DCYF for additional technical assistance to SFUSD, program administration, and hiring a program evaluator. The proposed \$26.5 million is based on the number of schools that submitted proposals which met the minimum score necessary to receive funding.

POLICY CONSIDERATION

Grant Services, Outcomes, and Performance Still Not Defined

As noted above, the proposed grant does not have well-defined services, outcomes, and performance metrics. The revised grant now includes high-level program goals and better specifies the roles and responsibilities of DCYF and the School District. According to DCYF, the School District is still in the process of developing programs that would be funded by the proposed grant. To promote transparency and accountability, we continue to recommend that the proposed grant and future grants to the School District define all programs that will be funded, including the population to be served, operating period, activities, work of subcontractors, goals, and performance measures of individual programs that will receive grant funding.

Annual Reporting to the Board of Supervisors

Further, the Department is tasked by the Charter to regularly assess outcomes of the grant programs to evaluate how they are meeting the goals of improving student academic and social/emotional wellness outcomes, and to submit an annual report to the Mayor and the Board of Supervisors no later than May 1. As noted above, this report was not produced for \$9 million FY 2023-24 grant. DCYF should include results of the FY 2023-24 funding in its May 2025 report.

Potential School Closures

The District is in the process of developing a “resource alignment” plan to merge and close schools. The list of impacted schools is not known as of this writing but could include recipients of the proposed grant. The SFUSD staff proposal to the Board of Education is expected to be released in September or October 2024. The Board of Supervisors could postpone approval of this resolution until the District’s resource alignment plan is finalized.

RECOMMENDATIONS

1. Request DCYF amend the proposed grant agreement to define the programs that will be funded, including the population to be served, operating period, activities, work of subcontractors, and program-level performance measures.
2. Approve the proposed resolution.

Appendix 1: Scoring Rubric for Student Success Fund Grant Award Recipients (out of 100 points)

| Criteria | Maximum Points |
|--|-----------------------|
| Implementation Grants | |
| How does your Community Schools/Implementation Plan align with the district's goal or guardrail? | 5 |
| Description of Goals | 50 |
| Which district goal or guardrail does this goal align to? Briefly explain how this goal relates to your Hopes and Needs Assessment | |
| Describe the school community engagement process for establishing the goals/priorities described above. How were students, families/caregivers, educators and other school staff and community partners included? | 15 |
| What new, deeper, or expanded work do you propose to do to advance these goals through this grant? Why did you choose those programs or interventions? | 10 |
| Please provide a budget for the requested funds. Please include a narrative of how these funds relate to your CCSPP funds [state funding for community school programs] or other existing community schools' budget if applicable. | 10 |
| What challenges do you anticipate with implementing your community schools plan and the work described above? How might you mitigate them? | 10 |
| Readiness Grants | |
| Why are you interested in becoming a community school and how will it help you align with the district goals and guardrails? | 15 |
| What do you hope will change for your students and for your school community as a result of becoming a community school? | 15 |
| How do you see becoming a community school changing the way you work with partners (e.g. CBOs, community members)? | 15 |
| Where are you in the process of identifying a Community School Coordinator? What role do you see them playing as part of your school leadership team and school community? | 15 |
| How will you engage your community in creating a community Schools/Implementation plan? Including how you will share leadership with community stakeholders. | 15 |
| What challenges do you anticipate in developing your plan and how might you mitigate them? | 15 |
| Please submit a budget for how you intend to use these funds. Please include a narrative of how these funds relate to your CCSP funds or other existing community schools' budget if applicable. | 10 |

Source: DCYF

Appendix 2: SFUSD Schools Receiving Student Success Grants

School sites receiving readiness grants:

School Sites:

| | | | |
|------------------|-------------------|-------------------|---------------------|
| Aptos MS | Denman MS | Independence HS | SF Community School |
| Balboa HS | Dolores Huerta ES | Lick MS | Starr King ES |
| Carver ES | Flynn ES | Lincoln HS | Ulloa ES |
| Chavez ES | Glen Park ES | Malcolm X Academy | Webster ES |
| Cleveland ES | Grattan ES | Moscone ES | |
| Cobb ES | Hillcrest ES | O'Connell HS | |
| County Satellite | Ida B Wells HS | Rosa Parks ES | |

School sites receiving implementation grants:

School Sites

| | | | |
|-----------------------------|----------------|--------------------------|--------------------|
| Bret Harte ES | El Dorado ES | Marshall HS | Sutro ES |
| Buena Vista Horace Mann K-8 | ER Taylor | Mission Education Center | Tenderloin CS |
| Burton HS | Francisco MS | Mission HS | Vis Valley ES |
| Carmichael PK-8 | Guadalupe ES | Monroe ES | Vis Valley MS |
| Downtown HS | Jean Parker ES | Revere PreK-8 | Willie Brown Jr MS |
| Dr. MLK MS | John Muir ES | Sanchez ES | Sheridan ES |
| Drew College Prep | Longfellow ES | SF International HS | Everett MS |

Source: Proposed Grant

| | |
|--------------------------------------|--|
| Item 2 File 24-0851 | Department: Controller (CON) |
|--------------------------------------|--|

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution sets the property tax rate for FY 2024-25 for taxing entities within San Francisco including (a) the City; (b) the San Francisco Unified School District; (c) the San Francisco County Office of Education; (d) the San Francisco Community College District; (e) Bay Area Rapid Transit (BART); and (f) the Bay Area Air Quality Management District (BAAQMD).

Key Points

- The Board of Supervisors annually sets the combined property tax rate that provides revenues for: (1) general operations; (2) specific Charter-required activities for the City such as services for children, open space, or the public library; and (3) paying debt service on voter-approved General Obligation bonds that were issued by the City, the San Francisco Unified School District (SFUSD), the San Francisco Community College District (SFCCD), and the Bay Area Rapid Transit District (BART).
- The proposed resolution would also set the property tax pass-through rate that landlords can pass-through to tenants in FY 2024-25, as allowed under the Administrative Code.

Fiscal Impact

- The proposed resolution would set the combined property tax rate (comprised of the property tax rates levied for all of the taxing jurisdictions within the City) for FY 2024-25 at \$1.17143563 per \$100 of assessed value. The FY 2024-25 property tax rate of \$1.17143563 is \$0.00625819, or 0.53 percent less than the FY 2023-24 tax rate of \$1.17769382 per \$100 of assessed value.
- The proposed FY 2024-25 property tax rate would increase property taxes by \$124 on a median-priced single-family residence and reduce the allowable pass-through to tenants by at least \$431 on the same residence, due to a recent ordinance that reduces the allowable property tax pass-through to tenants. Although the property tax rate decreased this year, the allowable two percent increase in the assessed value of a median valued home more than offsets the property tax rate decrease.
- The FY 2024-25 General Fund share of property tax revenue is budgeted at \$2,469.6 million, which is \$40.4 million, or 1.6 percent, less than the \$2,510.0 million in the FY 2023-24 budget.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

California Revenue and Taxation Code Section 2151 requires the Board of Supervisors to fix the rates of county and district property taxes and to levy the property taxes for the County and Districts.

San Francisco Administrative Code Section 3.3(m) requires the Board of Supervisors to adopt the property tax rate for the City and County of San Francisco by September 30.

City Charter Section 16.107-109 requires that portions of the City’s annual property tax levy be set aside for specific uses including \$0.0250 for the Library Preservation Fund; \$0.0400 for the Children’s Fund; and \$0.0250 for the Open Space Fund per \$100 of assessed value. San Francisco Administrative Code Section 37.3(a)(6)(A-E), the Residential Rent Stabilization and Arbitration Ordinance allows landlords to pass through to tenants a portion of property tax increases that result from certain voter-approved General Obligation bonds.

BACKGROUND

The Board of Supervisors annually sets the combined property tax rate that provides revenues for affected taxing entities: (1) General Operations, (2) specific Charter-required activities for the City and County of San Francisco such as services for children, acquiring open space, or constructing, maintaining, and operating the public library; and (3) paying debt service on voter-approved General Obligation bonds that were issued by the City, the San Francisco Unified School District (SFUSD), the San Francisco Community College District (SFCCD), and the Bay Area Rapid Transit District (BART).

Under the California Constitution Article XIII(A), the base property tax rate that the City can levy on property owners is one percent and can be used for general purposes. Any amount over the base of one percent is used to pay for debt service on voter-approved General Obligation bonds.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution sets the property tax rate for FY 2024-25 for taxing entities¹ within the City and County of San Francisco including (a) the City; (b) the San Francisco Unified School District; (c) the San Francisco County Office of Education; (d) the San Francisco Community College District; (e) BART; and (f) the Bay Area Air Quality Management District (BAAQMD).

The proposed resolution would also set the property tax pass-through rates that landlords can pass through to tenants in FY 2024-25, as allowed in Chapter 37.3 of the City Administrative Code. The pass through to tenants may only be imposed on a tenant’s anniversary date and does not become part of a tenant’s base rent. The allowable tenant pass-through rate is based on the portion of the landlord’s property tax liability that comes from General Obligation bond debt

¹ Taxing entities are agencies or organizations located within the City and County of San Francisco that have taxing authority but may not be part of the City government. The General City Operations tax rate factor of \$0.80918319 includes \$0.25330113 to be shifted to the Educational Revenue Augmentation Fund (ERAF) for the benefit of San Francisco Unified School District, the County Office of Education, and the San Francisco Community College District.

service for certain periods and is comprised of three factors outlined in Chapter 37.3 of the Administrative Code, as shown in Exhibit 1 below.

Exhibit 1: Percent of Property Tax Increases for General Obligation Bond Debt Service Allowed for Pass-Through to Tenants

| Entity | Date of GO Bond Approval | Pass-Through Rate |
|---|---------------------------------|--------------------------|
| City and County of San Francisco | 11/1/1996 – 11/30/1998 | 100% |
| City and County of San Francisco | 11/14/2002 – Present | 50% |
| San Francisco Unified School District or San Francisco Community College District | 11/1/2006 – Present | 50% |

Source: Administrative Code Section 37.3(6)

In April 2024, the Board of Supervisors approved an ordinance that limited the allowable tenant pass-through rate to the difference in the current eligible entities’ tax rate amount and the eligible entities’ tax rate in the year that the tenant had moved in or 2005, whichever is later (File 24-0174), multiplied by a factor representing allowed pass-through bonds’ debt service divided by the total debt service of general obligation bonds issued by eligible entities .

FISCAL IMPACT

The proposed resolution would set the combined property tax rate for FY 2024-25 at \$1.17143563 per \$100 of assessed value. The FY 2024-25 property tax rate of \$1.17143563 is \$0.00625819, or 0.53 percent less than the FY 2023-24 tax rate of \$1.17769382 per \$100 of assessed value. Exhibit 2 below shows the proposed tax rates for all taxing jurisdictions in the City, as determined by the Controller and by the BART Board for the BART General Obligation Bond tax rate factor.

Exhibit 2: Current and Proposed Tax Rates per \$100 of Assessed Property Value

| Tax/Entity | FY 2023-24 | FY 2024-25 | Change |
|---|---------------------|---------------------|-----------------------|
| City & County of San Francisco | | | |
| General Fund | \$0.80918319 | \$0.80918319 | No change |
| Library Preservation Fund | \$0.02500000 | \$0.02500000 | No change |
| Children's Fund | \$0.04000000 | \$0.04000000 | No change |
| Open Space Fund | \$0.02500000 | \$0.02500000 | No change |
| GO Bond Fund | \$0.11295032 | \$0.10600267 | (\$0.00694765) |
| City Subtotal | \$1.01213351 | \$1.00518586 | (\$0.00694765) |
| San Francisco Unified School District | | | |
| General Operations | \$0.07698857 | \$0.07698857 | No change |
| General Obligation Debt Service | \$0.04025720 | \$0.03345173 | (\$0.00680547) |
| SFUSD Subtotal | \$0.11724577 | \$0.11044030 | (\$0.00680547) |
| San Francisco County Office of Education | \$0.00097335 | \$0.00097335 | No change |
| San Francisco Community College District | | | |
| General Operations | \$0.01444422 | \$0.01444422 | No change |
| General Obligation Bond Debt Service | \$0.01108630 | \$0.01718123 | \$0.00609493 |
| SFCCD Subtotal | \$0.02553052 | \$0.03162545 | \$0.00609493 |
| Bay Area Rapid Transit | | | |
| General Operations | \$0.00632528 | \$0.00632528 | No change |
| General Obligation Bond Debt Service | \$0.01340000 | \$0.01480000 | \$0.00140000 |
| Bay Area Rapid Transit Subtotal | \$0.01972528 | \$0.02112528 | \$0.00140000 |
| Bay Area Air Quality Management District | \$0.00208539 | \$0.00208539 | No change |
| Total Property Tax Rate | \$1.17769382 | \$1.17143563 | (\$0.00625819) |

Source: Proposed resolution

Tenant Pass-Through Tax Rate

The proposed resolution would set the allowable property tax rate that landlords can pass through to tenants at an amount ranging from \$0.00 to \$0.0122 per \$100 of assessed value, depending on the tenancy commencement date. An overview of allowable pass-through rates is shown in Exhibit 3 below.

Exhibit 3: Allowable Tenant Pass-Through Rates

| Tenancy Commencement Date | Allowable Pass-Through Rate (per \$100 of Assessed Value) |
|----------------------------------|--|
| 6/30/2006 and Earlier | \$0.0098 |
| 7/1/2006 – 6/30/2007 | \$0.0122 |
| 7/1/2007 – 6/30/2008 | \$0.0106 |
| 7/1/2008 – 6/30/2009 | \$0.0012 |
| 7/1/2009 – 6/30/2010 | \$0.0015 |
| 7/1/2010 – 6/30/2018 | \$0.0000 |
| 7/1/2018 – 6/30/2019 | \$0.0002 |

7/1/2019 – 6/30/2025 \$0.0000

Source: Proposed resolution

Residential tenants may file a financial hardship application with the Rent Board to request a portion of the FY 2024-25 pass-through be waived under Section 37.3(a)(6)F of the Administrative Code. In such cases, the Rent Board may waive all or a portion of the pass-through amount.

Impact of the Combined Property Tax Rate and Allowable Pass-Through

Under Proposition 13, the City may annually increase the assessed value of a property by a State-determined inflation factor or 2.00 percent, whichever is less. For FY 2024-25, the California Consumer Price Index (CCPI) adjustment authorized by the State Board of Equalization is 2.00 percent. The median assessed value of a single-family residence was \$717,300 in FY 2023-24, as shown in Exhibit 4 below. The taxable assessed value on that same home with the assessed value increased by the State-determined inflation factor of 2.00 percent, with a homeowner’s exemption, would be \$724,646 in FY 2024-25.

Exhibit 4: Estimated Property Tax for Single-Family Residence with Median Assessed Value

| | Single Family Residence | Allowable Tenant Pass-Through ² |
|--|----------------------------|---|
| Fiscal Year 2023-24 | | |
| Assessed Value | \$717,300 | \$717,300 |
| Less Homeowner's Exemption | \$7,000 | \$0 |
| Total Taxable Assessed Value | \$710,300 | \$717,300 |
| Property Tax Rate | 1.17769382% | 0.0726% |
| Property Taxes Payable in 2023-24 | \$8,365 | \$521 |
| Proposed FY 2024-25 | | |
| Prior Year Assessed Value | \$717,300 | \$717,300 |
| Assessed Value + California Consumer Price Index Increase (2.00%) | \$14,346 | \$14,346 |
| Subtotal | \$731,646 | \$731,646 |
| Less Homeowner's Exemption | \$7,000 | \$0 |
| Total Taxable Assessed Value | \$724,646 | \$731,646 |
| Property Tax Rate | 1.17143563% | 0.0122% |
| Property Taxes Payable in 2024-25 | \$8,489 | \$89 |
| Total Change in Property Taxes Payable in FY 2024-25 versus FY 2023-24 | \$124 | (\$431) |

Source: Controller’s Office

As shown in Exhibit 4, the proposed FY 2024-25 property tax rate of \$1.17143563 per \$100 of assessed value would increase property taxes by \$124 on a single-family residence with an assessed value of \$731,646 in FY 2024-25 and reduce the maximum allowable pass through to tenants by \$431 on the same residence. Although the property tax rate decreased this year, the

² For FY 2024-25, the pass-through rate shown is the maximum allowable pass-through rate of \$0.0122 per \$100 of assessed value for tenancies commencing from July 2006 through June 2007.

allowable two percent increase in the assessed value of a median valued home more than offsets the property tax rate decrease.

The FY 2024-25 General Fund share of property tax revenue is budgeted at \$2,469.6 million, which is \$40.4 million, or 1.6 percent, less than the \$2,510.0 million in the FY 2023-24 budget.

RECOMMENDATION

Approve the proposed resolution.

| | |
|--------------------------------------|---|
| Item 6 File 24-0829 | Department: Department of Public Works (DPW) |
|--------------------------------------|---|

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the Sixth Amendment to the grant agreement between the Department of Public Works (DPW) and Hunters Point Family for the Pit Stop program, extending the term of the grant by nine months through June 2025, and increasing the not-to-exceed amount of the grant by \$6,972,048, for a total not to exceed \$16,238,479.

Key Points

- The City’s Pit Stop program, which began in July 2014 and is administered by DPW, provides public restroom and handwashing facilities, as well as needle and dog waste receptacles, at 30 locations across the City. In 2023, after a competitive solicitation, DPW awarded a grant to Hunters Point Family to staff 22 Pit Stop sites, with eight others staffed by Mission Hiring Hall. The grant agreement has since been amended five times and expires September 30, 2024.
- Hunters Point Family hires San Francisco residents who are eligible to work but face barriers to employment and may come from low-income neighborhoods. Hunters Point Family provides training to employees and then connects them to other employment and apprenticeship programs within 12 months in the program. Pit Stop locations must be kept clean and free of safety hazards, and Hunters Point Family is required to troubleshoot basic restroom malfunctions before contacting DPW maintenance staff. The grant funds approximately 83 full-time equivalent (FTE) employees. In FY 2023-24, approximately 67 program participants were placed into full-time employment after leaving the program.
- DPW monitors the condition of the Pit Stops through site visits. Actual spending to date has been \$1.5 million or 17 percent less than the FY 2023-24 grant budget because of reduced staffing due to broken restroom units that were closed for extended periods and difficulty getting replacement parts for the units. Hunters Point Family is close to meeting its workforce performance goal of placing 35 percent of workers into new jobs. In FY 2023-24, 32.5 percent of HPF workers exited into new jobs.

Fiscal Impact

- The proposed Sixth Amendment would increase the not-to-exceed amount of the grant agreement by \$6,972,048, for a total not to exceed \$16,238,479. Of the \$16,238,479 not-to-exceed amount, approximately \$15,688,479 (97 percent) is funded by the City’s General Fund, and approximately \$550,000 (three percent) is funded by grants from Bay Area Rapid Transit (BART).

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

The City’s Pit Stop program, which began in July 2014 and is administered by the Department of Public Works (DPW), provides public restroom and handwashing facilities, as well as needle and dog waste receptacles, at 30 locations across the City. The restrooms are a mix of semi-permanent JCDecaux public toilet facilities and portable toilets owned by DPW.

In March 2023, DPW issued a Request for Proposals (RFP) to award a Pit Stop program operator as a workforce development program. DPW received three proposals, and an evaluation panel scored them, as shown in Exhibit 1 below.¹ Proposals were evaluated on project approach, organizational capacity, and fiscal capacity.

Exhibit 1: Proposals and Scores from RFP

| Proposer | Score (out of 300 Points) |
|--------------------------|----------------------------------|
| Hunters Point Family | 288 |
| Mission Hiring Hall | 286 |
| Lanval Family Foundation | 283 |

Source: DPW

Hunters Point Family, which previously operated the Pit Stop program, was deemed the highest-scoring proposer and awarded a contract. Mission Hiring Hall was also awarded a contract. As of August 2024, Hunters Point Family operates 22 Pit Stop locations, and Mission Hiring Hall operates eight locations.

In June 2023, DPW executed a grant agreement with Hunters Point Family for a one-year term from July 2023 through June 2024 and an amount not to exceed \$8,425,706. The grant has since been amended five times, as shown in Exhibit 2 below.

¹ The evaluation panel consisted of a DPW Apprenticeship Operations Supervisor, a DPW Healthy Streets Operational Manager, and an Office of Economic and Workforce Development (OEWD) Workforce Solutions Manager.

Exhibit 2: Overview of Grant Amendments

| Amendment | Date | Description |
|--------------------------|-------------|---|
| Original Grant Agreement | 6/28/2023 | Term of 1 year from July 2023 – June 2024, amount not to exceed \$8,425,706 |
| 1 | 7/31/2023 | Increased amount to \$8,728,690 and increased payrates per updated Minimum Compensation Ordinance (MCO) |
| 2 | 9/12/2023 | Revised schedules and sites |
| 3 | 1/11/2024 | Increased amount to \$8,766,431, amended eligible expenses, budget details, and invoice instructions |
| 4 | 6/28/2024 | Extended term through July 2024, increased amount to \$9,266,431 |
| 5 | 7/31/2024 | Extended term through September 2024, amended budget details |

Source: Past Grant Amendments

DPW and Hunters Point Family have agreed to extend the contract through June 2025.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Sixth Amendment to the grant agreement between DPW and Hunters Point Family for the Pit Stop program, extending the term by nine months through June 2025, and increasing the not-to-exceed amount of the grant by \$6,972,048, for a total not to exceed \$16,238,479.² The resolution also authorizes the Director of Public Works to make further immaterial amendments to the grant agreement.

Under the grant agreement, Hunters Point Family operates 22 Pit Stop locations as a workforce development program. As of August 2024, all locations are open seven days a week, with daily hours varying by location from eight to 24 hours per day. Hunters Point Family hires San Francisco residents who are eligible to work but face barriers to employment and may come from low-income neighborhoods. Hunters Point Family provides training to employees and then connects them to other employment and apprenticeship programs within 12 months in the program. Pit Stop locations must be kept clean and free of safety hazards, and Hunters Point Family is required to troubleshoot basic restroom malfunctions before contacting DPW maintenance staff. The grant funds approximately 83 full-time equivalent (FTE) employees.

Performance and Fiscal Monitoring

Under the grant agreement, Hunters Point Family is required to submit weekly, monthly and quarterly reports which include Pit Stop usage levels and demographics, training hours, and work hours provided. According to Alexander Burns, DPW Contract Administration Manager, DPW conducts regular site inspections and provide a sample report for our review. In addition, DPW reviews Hunter Point Family’s reports regarding participant training and job placement upon exiting the program. The agreement states that Hunters Point Family should place at least 35 participants in full-time positions within six months of exiting the program. DPW reports that of

² The resolution states that the proposed amendment would extend the term of the grant by 11 months. However, DPW has already executed the Fifth Amendment, which extended the term by two months through September 2024. Therefore, the proposed Sixth Amendment extends the term of the grant agreement by nine months.

206 participants in FY 2023-24, 67 were placed for a placement rate of 32.5 percent. However, the 206 number includes participants who voluntarily quit the program after a short period and therefore would not receive assistance with placements.

Staff from the Department of Children, Youth, and their Families reviewed Hunters Point Family’s financial documents as part of the FY 2023-24 Citywide Fiscal and Compliance Monitoring program and identified six findings related to invoices, cost allocation procedures, financial reports, fiscal policies and procedures, and audited financial statements. Hunters Point Family responded with actions planned or taken for each finding, and DCYF staff determined that the actions are satisfactory and that Hunters Point Family is in conformance with City financial and governance standards.

FISCAL IMPACT

The proposed Sixth Amendment would increase the not-to-exceed amount of the grant agreement by \$6,972,048, for a total not to exceed \$16,238,479. The estimated budget for the proposed nine-month extension is shown in Exhibit 3 below.

Exhibit 3: Estimated Grant Budget, October 2024 – June 2025

| Expenditures | Amount |
|-------------------------------------|--------------------|
| Salaries | \$4,264,771 |
| Fringe Benefits | 1,690,129 |
| Non-Personnel Costs | 107,750 |
| <i>Subtotal, Direct Costs</i> | <i>\$6,062,650</i> |
| Indirect Costs (15%) | 909,398 |
| Total Projected Expenditures | \$6,972,048 |

Source: Proposed Sixth Amendment
Non-personnel costs include materials and supplies, uniforms, and facilities and occupancy.
Indirect costs include administrative and overhead costs, such as management salaries, payroll, and accounting costs

Actual contract allocation during the FY 2023-24 grant period totaled \$7,238,050, or \$1,528,381 less than the \$8,766,431 grant budget. That spending authority was applied to the grant budget for FY 2024-25 and the Department administratively added \$500,000 (a portion of which was from the prior year’s underspending) to the grant budget for FY 2024-25. The proposed Sixth Amendment would add \$6,972,048 in grant spending, for a total FY 2024-25 grant budget of \$8,739,693, similar to the prior year’s grant budget. Actual contract expenditures to date total approximately \$6,803,851. According to Contract Administration Manager Burns, actual spending has been less than the contract amount because of reduced staffing due to broken restroom units that were closed for extended periods of time and difficulty getting replacement parts for the units.

Of the \$16,238,479 not-to-exceed amount, approximately \$15,688,479 (97 percent) is funded by the City’s General Fund, and approximately \$550,000 (three percent) is funded by grants from Bay Area Rapid Transit (BART).

RECOMMENDATION

Approve the proposed resolution.

| | |
|--|--|
| Items 8 & 9 Files 24-0840 & 24-0815 | Department: Municipal Transportation Agency (MTA) Recreation and Parks Department (REC) |
|--|--|

EXECUTIVE SUMMARY

Legislative Objectives

- **File 24-840** is a proposed ordinance that would appropriate \$30.5 million, including \$29.0 million in Certificates of Participation Series 2024A proceeds and \$1.5 million in projected parking revenues from Music Concourse Garage operations, in the Recreation and Parks Department and place these funds on Controller’s Reserve pending sale of the COPs and acquisition of the garage in FY 2024-25.
- **File 24-0815** is a proposed resolution that would approve a second amendment to the contract between the City and IMCO Parking, LLC to add the Music Concourse Garage to the scope of work and to increase the not to exceed amount from \$180 million to \$207 million, an increase of \$27 million, with no change to the contract term.

Key Points

- In September 2024, the Board of Supervisors authorized the sale of up to \$29 million in Certificates of Participation (COPs) to finance the City’s acquisition of the Music Concourse Garage, an underground parking facility in Golden Gate Park with 800 parking spaces.
- The San Francisco Municipal Transportation Authority (SFMTA) plans to manage the garage on behalf of the Recreation and Parks Department (REC). SFMTA operates 21 city-owned garages and lots and contracts out management of the garages to two parking operators. SFMTA seeks to add the Music Concourse Garage to the IMCO Parking contract, rather than the LAZ Parking contract because IMCO Parking is affiliated with Imperial Parking, the current operator. REC would receive net revenues from the garage operations and would reimburse SFMTA for administrative costs to oversee garage operations.

Fiscal Impact

- The proposed increase of \$27 million to the not to exceed amount of the IMCO contract includes parking tax collected by SFMTA and paid to the Treasurer-Tax Collector’s Office by the operator and a 20 percent contingency in the event that garage utilization increases.
- The proposed ordinance would appropriate \$29.0 million in COPs proceeds for various uses associated with the City’s acquisition of the garage and \$1.5 million in garage operating revenues for debt service, garage reserves, and Golden Gate Park operations.

Policy Consideration

- Operating the Music Concourse Garage is more expensive compared to other City-owned garages because the Music Concourse Garage does not have remote-monitoring capabilities, resulting in greater on-site staffing costs compared to other garages. SFMTA will evaluate potential cost-saving options for the garage following the acquisition.

Recommendation

- Approve the proposed resolution and the proposed ordinance.

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.

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

BACKGROUND

City Acquisition of Music Concourse Garage

The Recreation and Parks Department (REC) plans to acquire the Music Concourse Garage, an underground parking facility located in Golden Gate Park with 800 parking spaces, from the current operator in Fall 2024. Under an existing ground lease, the Music Concourse Community Partnership (MCCP), a nonprofit, constructed and currently operates the garage. Under the terms of the lease, ownership of the garage will transfer to REC when the construction debt is fully repaid. On September 10, 2024, the Board of Supervisors authorized the sale of up to \$29 million in Certificates of Participation (COPs) to finance the City’s acquisition of the Music Concourse Garage, through repayment of the outstanding construction debt (File 24-0723).¹

MCCP currently contracts with Imperial Parking, LLC to operate the facility. The San Francisco Municipal Transportation Authority (SFMTA) plans to manage the garage on behalf of REC once it is acquired. SFMTA is seeking approval to add the Music Concourse Garage to an existing contract with IMCO Parking, LLC, a joint venture of Imperial Parking and Convenient Parking.

IMCO Parking Contract

SFMTA operates 21 city-owned garages and lots and contracts out management of the garages to two parking operators, selected through a competitive process. LAZ Parking California, LLC, manages “Group A” garages, and IMCO Parking LLC manages “Group B” garages. In November 2022, the Board of Supervisors approved a contract with IMCO Parking, LLC for the management of 11 garages and one lot operated by the SFMTA for a term of five years, with two two-year options to extend and a not to exceed amount of \$180 million (File 22-1094). The contract term began February 1, 2023 and ends January 31, 2028 and may be extended through January 2032 if both extensions are exercised. In July 2023, SFMTA administratively approved the First Amendment to the contract to remove Convenient Parking, a joint venture member of IMCO

¹ The property is being transferred under the terms of the existing lease (through repayment of the outstanding debt) rather than through a new purchase agreement

Parking, from the approved list of subcontractors. The remaining approved subcontractors include Men at Work LA Concrete Inc. and Marina Securities Services Inc.

SFMTA seeks to add the Music Concourse Garage to the IMCO Parking contract, rather than the LAZ Parking contract because IMCO Parking is affiliated with Imperial Parking, the current operator. Therefore, transferring operations to IMCO Parking is not anticipated to cause any disruptions to garage operations.

DETAILS OF PROPOSED LEGISLATION

File 24-0815 is a proposed resolution that would approve a second amendment to the contract between the City and IMCO Parking, LLC to add the Music Concourse Garage to the scope of work and to increase the not to exceed amount from \$180 million to \$207 million, an increase of \$27 million, with no change to the contract term.

File 24-840 is a proposed ordinance that would appropriate \$30.5 million, including \$29.0 million in Certificates of Participation Series 2024A proceeds and \$1.5 million in projected parking revenues from Music Concourse Garage operations, in the Recreation and Parks Department and place these funds on Controller’s Reserve pending sale of the COPs and acquisition of the garage in FY 2024-25.

IMCO Parking Contract (File 24-0815)

According to SFMTA staff, MTA anticipates working with REC to consider extension of operating hours into the evenings for special events, but no other operational changes are anticipated currently. Garage staffing includes 2.0 FTE during open hours with support from middle and upper management staff, as needed.

Management Fee, Expenses Reimbursement, and Net Revenues

Under the existing contract, SFMTA pays a flat management fee of \$10,000 per month to IMCO, with five percent escalation in Years 6 and 8 (if the contract is extended), as well as reimbursement for all expenses. The proposed second amendment would increase the management fee to \$11,600, an increase of \$1,600 per month, and provides for reimbursement of operating expenses for the Music Concourse Garage. IMCO would collect parking tax from customers as a portion of parking fees and make tax payments to the Treasurer-Tax Collector.

Similar to other REC parking facilities managed by SFMTA, REC would receive net revenues from the garage operations and would reimburse SFMTA for administrative costs to oversee garage operations. However, SFMTA would waive reimbursement of administrative costs for the first two years of operations. SFMTA would apply the same policies to the Concourse Garage as other city-owned garages, including the demand-responsive pricing policy.

Performance Management

The proposed contract does not have quantitative performance measures. According to SFMTA staff, SFMTA staff assess the effectiveness of the service on a qualitative basis, such as whether the vendors are effective partners in implementing parking policies and providing parking

operation services. SFMTA staff meets with IMCO monthly to review financials, operations, and policy issues, and discuss any performance issues during those meetings. SFMTA staff reports that there have been no performance issues under the existing contract.

Appropriation (File 24-0840)

The sources and uses of the proposed appropriation of \$30.5 to REC in FY 2024-25 is shown in Exhibit 1 below. As we detailed in July 2024 report on the COP authorization (File 24-0723), in the subsequent fiscal years, the garage will generate \$1.46 million per year in net revenues, after paying for garage operation and COP debt service.

Exhibit 1: Sources and Uses of Proposed Appropriation, FY 2024-25

| Fund | 16888 COP S2024A | 10000 GF Annual Account | 10020 GF Continuing Authority | Total |
|---|-----------------------------|--|--|---------------------|
| <u>Sources</u> | | | | |
| Proceeds from COPs | \$29,000,000 | | | \$29,000,000 |
| Garage Operating Revenues | | 900,000 | 600,000 | 1,500,000 |
| Total Sources | \$29,000,000 | \$900,000 | \$600,000 | \$30,500,000 |
| <u>Uses</u> | | | | |
| Escrow Fund Deposit | 21,000,000 | | | 21,000,000 |
| Costs of Issuance | 1,050,000 | | | 1,050,000 |
| Capitalized Interest Fund | 1,000,000 | | | 1,000,000 |
| Underwriter's Discount | 240,000 | | | 240,000 |
| Debt Service Reserve Fund | 2,450,000 | | | 2,450,000 |
| Reserve for Market Uncertainty | 3,260,000 | | | 3,260,000 |
| COP 2024A Debt Service | | 820,000 | | 820,000 |
| Risk Management Work Order for Property Insurance | | 80,000 | | 80,000 |
| Garage Operating Reserve | | | 300,000 | 300,000 |
| Golden Gate Park Operations | | | 300,000 | 300,000 |
| Total Uses | \$29,000,000 | \$900,000 | \$600,000 | 30,500,000 |

Source: Proposed Ordinance

FISCAL IMPACT

Appropriation of \$30.5 Million in COPs Proceeds and Garage Operating Revenues

As shown in Exhibit 1 above, the proposed appropriation ordinance would appropriate \$30.5 million in COPs proceeds and garage operating revenues to REC in FY 2024-25. The proposed ordinance would appropriate \$29.0 million in COPs proceeds for various uses associated with the City’s acquisition of the Music Concourse Garage and related debt issuance costs, including an escrow fund deposit of \$21 million, costs of issuance, capitalized interest, and reserves for debt service and market uncertainty. The ordinance would also appropriate \$1.5 million in garage

operating revenues to the General Fund in REC, including \$900,000 in the Annual Account (Fund 10000) for debt service associated with the COPs and property insurance and \$600,000 in the Continuing Authority Fund (Fund 10020) for operating reserves and Golden Gate Park Operations. According to REC staff, this reflects estimated garage operating revenues, debt service, and reserves for approximately six months. REC will determine future annual budget allocations during the FY 2025-26 budget process.

Appropriations to the General Fund Continuing Authority Fund will be automatically carried forward to future fiscal years if unspent. According to REC staff, the garage reserve will be used for potential maintenance needs within the garage, such as concrete repair, and the Golden Gate Park Operations funding will be used for any operations, maintenance, or future improvements within Golden Gate Park.

IMCO Contract Not to Exceed Amount

The proposed second amendment would increase the not to exceed amount by \$27 million for a total not to exceed amount of \$207 million to add the Music Concourse Garage to the scope of services for the IMCO contract. The not to exceed contract amount includes parking tax collected by SFMTA and paid to the Treasurer-Tax Collector’s Office by the operators. Estimated annual expenditures are shown in Exhibit 2 below.

Exhibit 2: Projected Annual Contract Expenditures

| Contract Year | Operating Expenses | Parking Tax | Total |
|----------------------|---------------------------|--------------------|---------------------|
| Year 2 (6 months) | \$850,000* | \$546,825 | \$1,396,825 |
| Year 3 | 1,545,000 | 1,312,380 | 2,857,380 |
| Year 4 | 1,591,350 | 1,312,380 | 2,903,730 |
| Year 5 | 1,639,091 | 1,312,380 | 2,951,471 |
| Year 6 (1st Option) | 1,688,263 | 1,312,380 | 3,000,643 |
| Year 7 | 1,738,911 | 1,312,380 | 3,051,291 |
| Year 8 (2nd Option) | 1,791,078 | 1,312,380 | 3,103,458 |
| Year 9 | 1,844,811 | 1,312,380 | 3,157,191 |
| Total | \$12,688,504 | \$9,733,485 | \$22,421,989 |

Note: Operating Expenses include IMCO management fees and reimbursement of IMCO operating expenses.

Source: Years 2-6 from SFMTA Financial Model and Years 7-9 estimated based on SFTMA assumptions in the financial model. The five-year financial model assumes that parking revenues and expenses are consistent with FY 2023-24 levels, with 3% annual increases to operating expenses and no changes to parking tax.

*Includes \$100,000 in one-time equipment upgrades

As noted above, garage revenue will cover COP debt service and the cost of operating the garage.

Contract Spending Authority

The SFMTA calculated the increased not to exceed amount based on estimated annual expenditures of \$3.6 million multiplied by the 7.5 remaining years in the agreement for a total of \$27.0 million. According to a financial model of garage expenses and revenues prepared by SFMTA, projected annual expenses are closer to \$3.0 million per year, including parking tax paid

to the Treasurer-Tax Collector’s Office, for a total of approximately \$22.4 million over the remaining term of the agreement. SFMTA staff report that the difference between the increase in the not to exceed amount and projected expenses in the financial model provides a contingency of approximately 20 percent in the event that garage utilization increases, which will result in increased parking tax collected under the contract and increases in expenses due to more wear and tear on the equipment or the need for additional staffing and supplies.

SFMTA Cost Recovery and Estimated Garage Net Revenues

As noted above, SFMTA would waive reimbursement of administrative costs for the first two years of operations of the Music Concourse Garage. Starting in the third year of operations (Year 4 of the contract), REC would reimburse SFMTA \$190,962 annually with estimated three percent annual increases according to the financial model prepared by the SFMTA.

Net revenues following debt service payment are estimated to be at least \$1.4 million annually, or approximately \$12.2 million over the remaining 7.5-year term of the proposed contract, as shown in Exhibit 3 below. Net revenues will accrue to the General Fund and support REC operations.

Exhibit 3: Estimated Garage Net Revenues

| Contract Year | Total Revenues | IMCO Contract | Non-Operating Expenses | Debt Service | Total Expenses | Net Revenues |
|---------------------|---------------------|---------------------|------------------------|---------------------|---------------------|---------------------|
| Year 2 (6 months) | \$3,280,950 | \$1,396,825 | \$263,218 | \$870,000 | \$2,530,043 | 750,908 |
| Year 3 | 6,561,900 | 2,857,380 | 6,628 | 1,740,000 | 4,604,008 | 1,957,892 |
| Year 4 | 6,561,900 | 2,903,730 | 197,789 | 1,740,000 | 4,841,519 | 1,720,381 |
| Year 5 | 6,561,900 | 2,951,471 | 203,723 | 1,740,000 | 4,895,194 | 1,666,706 |
| Year 6 (1st Option) | 6,561,900 | 3,000,643 | 209,834 | 1,740,000 | 4,950,477 | 1,611,423 |
| Year 7 | 6,561,900 | 3,051,291 | 216,129 | 1,740,000 | 5,007,420 | 1,554,480 |
| Year 8 (2nd Option) | 6,561,900 | 3,103,458 | 222,613 | 1,740,000 | 5,066,071 | 1,495,829 |
| Year 9 | 6,561,900 | 3,157,191 | 229,291 | 1,740,000 | 5,126,482 | 1,435,418 |
| Total | \$49,214,250 | \$22,421,989 | \$1,549,225 | \$13,050,000 | \$37,021,213 | \$12,193,037 |

Source: Years 2-6 from SFMTA Financial Model and Years 7-9 estimated based on SFMTA assumptions in the financial model. The five-year financial model assumes that parking revenues and expenses are consistent with FY 2023-24 levels, with 3% annual increases to operating expenses and no changes to parking tax.

Note: Non-operating expenses include SFMTA administrative costs, miscellaneous costs, and one-time costs of \$260,000 in Year 2 associated with the City’s acquisition of the site and winddown of the non-profit

POLICY CONSIDERATION

The proposed IMCO contract amendment is more expensive per parking space compared to the existing agreement for other City-owned garages. Even with the recommended reduction in the not to exceed amount to reflect estimated expenses, the estimated monthly cost per space for the Music Concourse Garage (\$326) is 37 percent greater than other City-owned garages covered

under the existing contract (\$239).² According to SFMTA staff, operating the Music Concourse Garage is more expensive compared to other City-owned garages because the Music Concourse Garage does not have remote-monitoring capabilities, resulting in greater on-site staffing costs compared to other garages. All other City-owned garages are equipped with High Definition cameras connected to a remote command center, which allows one to two staff to monitor many facilities at once and reduces costs for staffing on-site. According to SFMTA staff, SFMTA will evaluate potential cost saving options for the Music Concourse Garage once SFMTA takes control of garage operations.

RECOMMENDATION

Approve the proposed resolution (File 24-0815) and the proposed ordinance (File 24-0840).

² Without the recommended reduction, the estimated monthly cost per space for the Music Concourse Garage (\$375) is 57 percent greater than other City-owned garages.