


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

January 17, 2020

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst 

SUBJECT: January 22, 2020 Budget and Finance Committee Meeting

TABLE OF CONTENTS

Item	File		Page
1 & 2	19-1124	Airport Commission Capital Plan Bonds - San Francisco International Airport Second Series Revenue Bonds - Up to \$3,000,000,000 - Airport Capital Plan Projects	
	19-1123	Appropriation - Revenue Bonds Proceeds - Capital Improvement Projects - Airport Commission - \$3,888,069,311 - FY2019-2020	1
3	20-0007	Airport Professional Services Agreement - T1 Cubed - a Joint Venture - Project Management Support Services for Terminal 1 New Boarding Area B Project - Not to Exceed \$38,500,000	21
4	20-0010	Grant Agreement Amendment - Institute on Aging - Community Living Fund - Not to Exceed \$11,641,294	25
9	19-1298	Adopting a Fixed Two-Year Budget - Multiple City Departments - FYs 2020-2021 and 2021-2022	30

<p>Items 1 and 2 Files 19-1123 and 19-1125 <i>(Continued from January 15, 2019)</i></p>	<p>Department: San Francisco International Airport (Airport)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • File 19-1123 is an ordinance appropriating \$3,888,069,311 of Airport Revenue Bonds proceeds to the Airport Commission for FY2019-20. The funds would be placed on Controller’s Reserve pending the sale of the bonds or commercial paper. • File 19-1124 is a resolution (1) authorizing the sale of \$3,000,000,000 in new Airport Revenue Bonds; and (2) ratifying, approving and confirming certain resolutions of the Board of Supervisors and Airport Commission related to the bonds. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • The number of airplane passengers at San Francisco International Airport has grown by 58 percent from FY 2008-09 to FY 2017-18, twice as fast as the national average. The Airport is requesting additional revenue bond authorization to implement capital projects to address airport congestion and appropriation to spend bond proceeds. • The proposed \$3bn bond authorization, combined with existing unissued authorization of \$1.56 billion, would provide the remaining funding needed for the Airport’s \$7.6 billion FY 2019-20 Five-Year Capital Plan, including major projects such as Terminals 1, 3 and International Terminal renovations and an extension to the AirTrain. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • The Airport proposes to sell the \$3 billion Airport Revenue bonds through negotiated sales with 30-year terms at an estimated 6.1 percent fixed interest rate. Based on Airport forecasts, the total debt service over 30 years is estimated to be \$6.7 billion, including \$3.0 billion in principal and \$3.7 billion in interest payments. The average annual debt service is estimated to be \$223.4 million. • Debt service on the Airport’s bonds is paid from Airport revenues, which primarily consist of charges to airlines. Based on Airport forecasts, annual debt service payments are projected to increase by 76% from \$463.5 million in FY2018-19 to a peak of \$816.1 million in FY 2024-25. Increased debt service payments are expected to be covered by increases to the fees charged to airlines. 	
<p style="text-align: center;">Policy Consideration</p>	
<ul style="list-style-type: none"> • The Official Statement for the Series 2019 EFGH Airport Capital Plan bonds identified several risk factors pertaining to the issuance of bonds. These risk factors include potential slowdown of the Bay Area economy and potential reduction in demand for air travel. 	
<p style="text-align: center;">Recommendations</p>	
<ul style="list-style-type: none"> • Amend the proposed resolution to request the Airport Director submit the final Official Statement for each bond issuance covered by the proposed resolution to the Clerk of the Board promptly after issuance and include the documents in the legislative file. • Approve the proposed resolution as amended and the proposed ordinance (File 19-1123). 	

MANDATE STATEMENT

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.

City Charter Section 4.115 states that the Airport Commission has exclusive authority to plan and issue Airport revenue bonds for Airport-related purposes, subject to the approval, amendment, or rejection of the Board of Supervisors.

BACKGROUND

Airport Revenue Bond Authorization

The San Francisco International Airport (Airport) issues Airport Revenue bonds, as authorized by the 1991 Master Bond Resolution. The 1991 Master Bond Resolution has been supplemented and amended twenty two times since its original publication. Since 2008, the Board of Supervisors has authorized \$7.8 billion in Airport Revenue bonds. The Board last authorized an increase of \$4.4 billion in the Airport's bond issuance authority in 2017. This covered major projects in the FY 2016-17 Capital Improvement Plan including the Harvey Milk Terminal 1 modernization, airfield improvements, improvements to the AirTrain system, and construction of a new long term parking garage. Currently, \$1.56 billion in bond authority remain unissued (as of October 21, 2019).

As of July 1, 2019, the total amount of outstanding bond debt held by the Airport was \$7.3 billion.¹

DETAILS OF PROPOSED LEGISLATION

File 19-1123: The proposed ordinance would appropriate \$3,888,069,311 of proceeds from Airport Revenue Bonds and commercial paper² to the Airport Commission for FY19-20. The funds would be placed on Controller's Reserve pending the sale of the bonds or commercial paper.

The appropriation sources include \$3,000,000,000 from new Airport Revenue Bonds (File 19-1124) and \$888,069,311 in previously authorized but not issued Airport Revenue Bonds. The appropriation uses consist of \$3,015,257,811 for Airport Capital projects and \$872,811,500 in financing and contingency costs.

File 19-1124: The proposed resolution would authorize the sale of \$3,000,000,000 in new Airport Revenue Bonds; and ratify, approve and confirm certain resolutions of the Board of

¹ The \$7.3 billion in outstanding bond debt includes debt in addition to Airport Revenue bonds (i.e. Airport Commercial Paper and debt from bond issuances before 2008).

² Commercial paper is short term, low interest debt. The Airport is authorized to issue up to \$500 million in commercial paper notes, of which \$3.2 million has been issued and \$496.8 million is unissued. Under the proposed appropriation ordinance, the Airport may issue commercial paper prior to the issuance of the bonds, which will be repaid by bond proceeds.

Supervisors and Airport Commission related to the bonds. The bonds must be sold by June 30, 2026 and are subject to the terms and conditions set forth in the original 1991 Resolution which details the requirements on the Airport Commission in issuing Revenue Bonds, including the Rate Covenant and debt service coverage levels. The proposed resolution also requires that California Environmental Quality Act (CEQA) reviews be completed before bonds are issued to fund construction but allows for bond monies to be used to fund planning and development costs.

These Airport Revenue Bonds may be issued as fixed rate, variable rate or index rate bonds in accordance with the terms of the 1991 Bond Resolution. The type of Bonds to be issued and the timing of the bond issues will be determined based on several factors, including capital project cash flow requirements and financial market conditions. Based on information provided by the Airport, these bonds would be issued in four installments between 2020 and 2023.

According to the Office of Public Finance, the appropriation request of \$3.888 billion is greater than the bond authorization request of \$3 billion to allow for potential fluctuations in market conditions or investor preferences which could generate bond proceeds above the bond par amount.³

Basis of Request for Bond Authorization

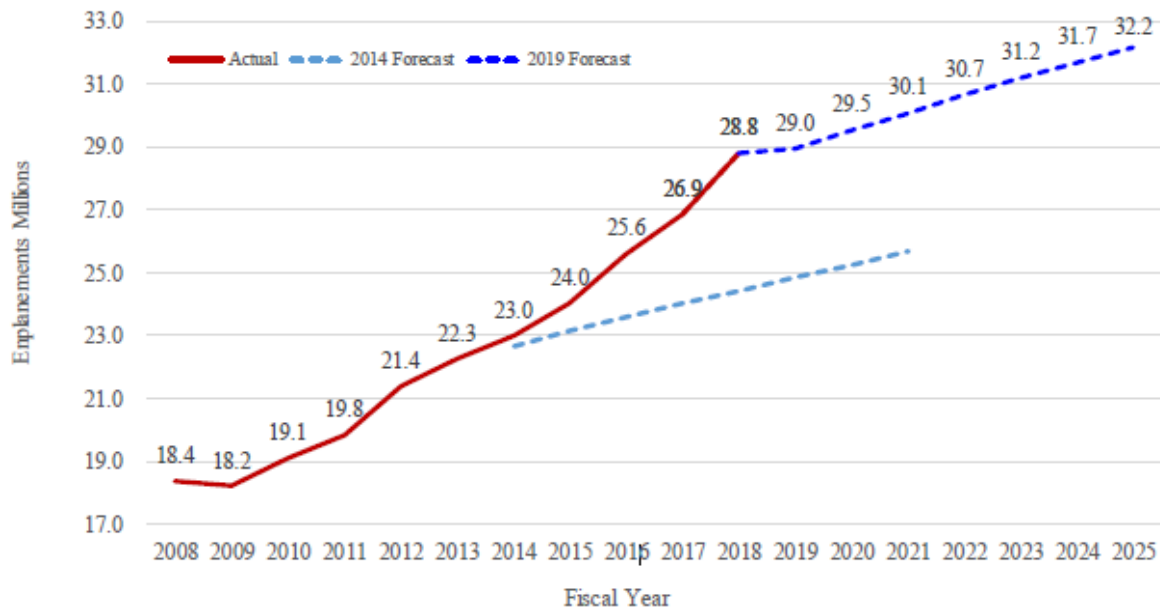
The projects to be funded by the requested Airport Revenue bond authorization are largely to accommodate the increase in air passenger traffic at San Francisco International Airport. As show in Exhibit 1, the number of airplane passengers at San Francisco International Airport has grown by 58 percent from FY 2008-09 to FY 2017-18 and exceeded forecasts for the past four years. According to the Federal Aviation Administration (FAA), San Francisco International Airport was the 7th busiest airport in the United States in calendar year 2018 based on passenger traffic, with 27.8 million total enplanements⁴. From FY 2013-14 to FY 2018-19 the number of enplanements increased at a compound annual growth rate of 4.5 percent. Over the past decade, the Airport's air traffic grew at almost twice the national average (4.6 percent vs 2.8 percent, respectively). Additionally, a recent report by the Airport's Consultant forecasted increased passenger growth of 12 percent by FY 2025-26 to 32.2 million enplanements⁵.

³ The Airport Capital Plan bonds may be structured as "premium bonds", in which investors are willing to pay more than face value of the bonds in exchange for receiving higher interest payments.

⁴ Federal Aviation Administration Commercial Service Enplanements Report for Calendar Year 2018 (Preliminary) (https://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/passenger/media/preliminary-cy18-commercial-service-enplanements.pdf)

⁵ Based on Report of the Airport Consultant for the Series 2019EFG Bond Official Statement

Exhibit 1: Actual and Forecast Airplane Passenger Growth, FY 2007-08 to FY 2024-25



Source: San Francisco International Airport FY2019/20 Capital Improvement Plan. Actuals from Airport Commission; Forecasts by LeighFisher.

Passenger enplanements declined by 0.7 percent in FY 2018-19 compared to the same period in FY 2017-18 due to certain airlines reconfiguring routes following a merger and aircraft gate constraints during peak periods⁶. Additionally, according to the Ms. Kaitlyn Connors, Airport Budget Director, the Airport is currently at 92 percent of its operating capacity in terms of aircraft arrivals and departures.

The Airport Commission approved Capital Improvement Plans in FY 2016-17 and FY 2019-20 aimed at addressing passenger traffic growth, including increasing the number of terminal gates to accommodate increased passenger traffic, and improving security, ground transportation, parking and other infrastructure. Completion of the Capital Improvement Plan is expected to increase gate capacity, help decrease peak period constraints, and expand other infrastructure to accommodate the increased passenger traffic.

Rating Agencies

As noted above, the Airport’s outstanding bond debt as of July 1, 2019 was \$7.3 billion. The Airport issued an additional \$922.2 million in Series 2019EFG Airport Revenue bonds in August 2019. As part of this bond sale, the Airport engaged the three main credit rating agencies (Moody’s, S&P and Fitch) to rate the proposed sale. The three agencies ratings’ for these bonds are A1, A+, and A+, the third highest rating possible, indicating the Airport has a “strong capacity” to meet its financial commitment. However, they did identify some risks including: (1) a large debt-funded Capital Improvement Plan and (2) one primary airline carrier (United Airlines) which accounts for 21 percent of the Airport’s operating revenue.

⁶ Based on Report of the Airport Consultant for the Series 2019EFG Bond Official Statement

Airport Capital Improvement Plan

The Airport prepared a Capital Improvement Plan for FY 2016-17 through FY 2020-21; the Airport Commission approved the FY 2019-20 update to the Capital Improvement Plan in March 2019. The FY 2019-20 update provides for \$7.6 billion in projects through FY 2023-24, of which \$3.0 billion in funding was previously appropriated and \$4.6 billion is new funding shown in Exhibit 2 below.

Exhibit 2: FY 2019-20 Capital Improvement Plan Projects and Funding

Projects	Prior Funding	New FY 2019-20 to FY 2023-24 Funding	Total
Airfield Improvements ^a	\$97,893,262	\$191,005,782	\$288,899,044
Airport Support ^b	380,085,961	893,879,563	1,273,965,524
Groundside			
Parking & Garage	158,230,348	24,794,934	183,025,282
Air Train	112,706,604	131,649,133	244,355,737
On-Airport Hotel	152,339,000	87,661,000	240,000,000
Other Groundside ^c	93,336,810	67,229,391	160,566,201
Subtotal Groundside	516,612,762	311,334,458	827,947,220
Terminals			
Terminal 1 Projects	1,364,222,167	1,041,632,586	2,405,854,753
Terminal 3 Projects	299,461,158	1,181,629,896	1,481,091,054
International Terminal	36,736,710	382,705,833	419,442,543
Other Terminals ^d	228,441,108	203,613,994	432,055,102
Subtotal Terminals	1,928,861,143	2,809,582,309	4,738,443,452
Utilities ^e	96,463,165	394,698,730	491,161,895
Total	\$3,019,916,293	\$4,600,500,842	\$7,620,417,135

Source: FY 2019-20 Capital Improvement Plan Update

^a Airfield improvements include runway and taxiway, power and lighting, South McDonnell Road realignment, and other projects.

^b Airport support includes shoreline projection, computer systems, consolidated administration campus, elevators, escalators and walkways, fire equipment, security, noise insulation, cargo and hangar and Superbay projects, South Field redevelopment, technology improvement, and other projects. This budget category also includes \$439.8 million in reserves for Airport projects, equal to 9.5 percent of \$4.6 billion in project funding from FY 2019-20 through FY 2023-24.

^c Other groundside projects include roadway, support facility, Plot 700 redevelopment, and other projects.

^d Other terminal improvements include Air Traffic Control Tower, revenue enhancement, gate enhancement, and other projects. This budget category also includes \$37.8 million in capital improvement program support from FY 2019-20 through FY 2023-24.

^e Utilities include energy efficiency (including Net Zero), power and lighting, water and wastewater, storm drainage, and other projects.

FISCAL IMPACT**Appropriation Ordinance (File 19-1123)**

The proposed ordinance appropriates \$3,888,069,311 in Airport Revenue bonds, which includes appropriation of \$3,000,000,000 in new bond authority and \$888,069,311 in previously authorized bonds, as shown in Exhibit 3 below. The Attachment provides further project details.

Exhibit 3: Sources and Uses of Airport Revenue Bond Proceeds

Sources	
Proceeds from Revenue Bond Sales	3,888,069,311
Uses	
<i>Projects</i>	
Airfield Improvements	135,560,282
Airport Support	769,979,707
Groundside Improvements	103,759,546
Terminal Improvements	337,022,830
Terminal 1 Program	688,691,677
Terminal 3 Program	711,034,265
Utilities	269,209,504
Subtotal Projects	3,015,257,811
Financing and Other Costs	
City Services Auditor (0.2%)	6,030,516
Contingency Account (2.5%) ^a	74,984,160
Debt Service Reserve ^b	291,612,803
Capitalized Interest ^c	466,568,317
Cost of Issuance ^d	6,399,219
Underwriter's Discount ^e	27,216,485
Subtotal Financing and Other Costs	872,811,500
Total	3,888,069,311

Source: Appropriation Ordinance

^a The Contingency Account holds Airport funds that may be used for operating or capital purposes, but are also used each year to help the Airport meet its bond covenant requirement to have the sum of annual net operating revenues plus the balance in the Contingency Account equal to at least 125% of annual debt service, as required by the Airport Commission's 1991 Master Bond Resolution.

^b Debt Service Reserve is a fund in which an issuer sets aside money in case its regular debt service fund is insufficient to make a future debt service payment as required by the Airport Commission's master bond indenture.

^c Capitalized Interest is the portion of the proceeds of a bond issue that is set aside to pay interest on the bonds for a specified period of time. Interest is commonly capitalized for the construction period of a revenue-producing project, and sometimes for a period thereafter, so that debt service expense does not begin until the project is expected to be operational and producing revenues.

^d Costs of Issuance consist of expenses associated with the sale of a bond, including fees for financial advisors, counsel, the trustee and rating agency fees and other expenses.

^e The Underwriters Discount is the difference between the price paid by the underwriter to the issuer for the new bond issue and the prices at which the securities are initially offered to the investing public. This difference provides the underwriter with compensation for the transaction, as well as reimbursement for expenses.

On October 21, 2019, the City’s Capital Planning Committee recommended the authorization of up to \$3 billion in Airport Revenue bonds and approval of the related \$3.888 billion increase in appropriation.

Total Capital Improvement Plan Project Costs

The FY 2019-20 Capital Improvement Plan provides for \$4.6 billion in capital program expenditures from FY 2019-20 through FY 2023-24 (see Exhibit 3 above). Funding for the \$4.6 billion capital program comes from \$3.0 billion in new Airport Revenue bond authorization (subject of File 19-1124) and approximately \$1.6 billion in previously authorized and unissued bonds, as noted above and shown in Exhibit 4 below.

Exhibit 4: Previous and New Airport Capital Plan Bond Authorization (\$million)

Total Authority	\$7,827
Issued to Date	<u>(6,263)</u>
Authorized and Unissued	1,564
New Requested Authority	<u>3,000</u>
Total	\$4,564

Source: Staff memorandum to October 15, 2019 Airport Commission meeting

Of the previously authorized and unissued amount of \$1.564 billion, \$888,069,311 is appropriated to the capital program as shown in Exhibit 4 above.⁷

Issuance of Bonds (File 19-1124)

The Airport proposes to sell the \$3,000,000,000 in Airport Revenue bonds, through several negotiated sales with a 30-year term at an estimated 6.1 percent fixed interest rate. The Airport Commission’s Debt Policy allows the Airport to use negotiated or competitive sales, or direct placements of bonds to minimize debt service cost and to determine the structure, timing and terms of bond issuances within the terms of the 1991 Master Resolution.

The actual interest rate will not be known until the time of bond sale. According to a report prepared by the Airport’s Consultant for the latest bond sale, the Airport expects to issue bonds once a year from 2020 to 2023, but the timing and sizing of each issue would be determined based on an assessment of capital plan cash flow requirements and market conditions⁸. The bonds are expected to be fully repaid in by 2053 from Airport revenues.

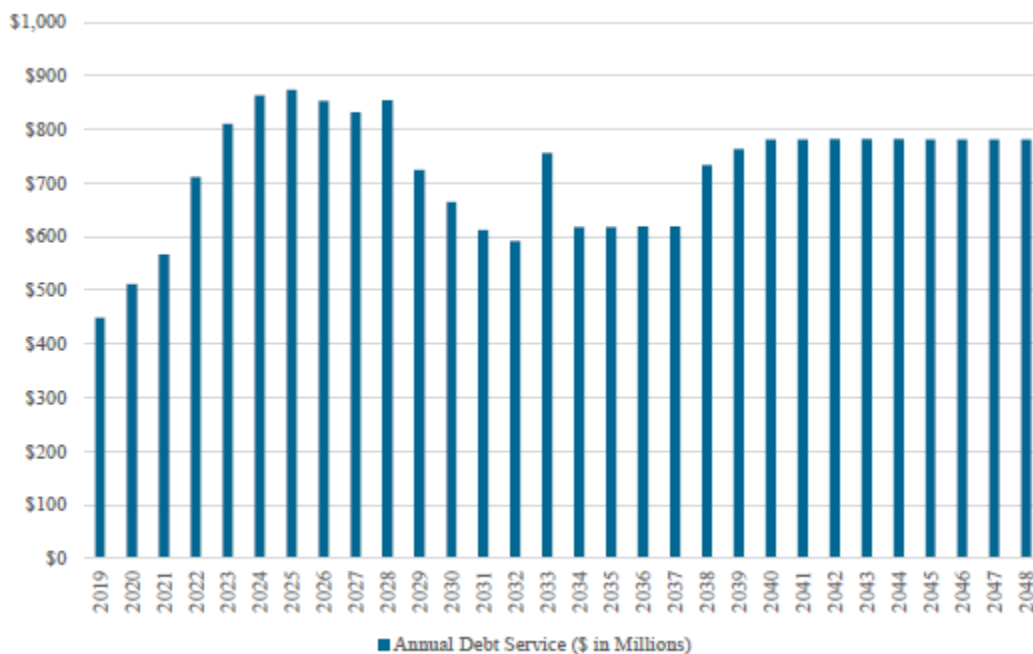
⁷ According to Ms. Connors, the remaining authorized but unissued bond authority (\$676 million) has already been appropriated in the Airport’s previous bond appropriation ordinances. Some of the difference between the bond appropriation amount (\$3.888 billion) and the bond authority resolution amount (\$3 billion) is due to the potential greater proceeds that may be realized through a “premium bond” (see Footnote 3).

⁸ Official Statement of the Airport Commission of the City and County of San Francisco International Airport for Second Series Revenue Bonds Series 2019E/F/G and Refunding Bonds Series 2019H, Appendix A: Report of the Airport Consultant (<https://www.flysfo.com/about-sfo/investor-relations>)

Based on information provided by the Airport, the total debt service over 30 years on the new requested bond authority of \$3.0 billion is estimated to be \$6.7 billion, including \$3.0 billion in principal repayment and \$3.7 billion in interest payments. The average annual debt service is estimated to be \$223.4 million. This assumes that all unissued debt is sold to finance capital improvement projects within the next five fiscal years.

According to the Airport Consultant’s forecasts, debt service for all current and proposed bonds would increase from \$463.5 million in FY2018-19 to a peak of \$816.1 million in FY 2024-25, before declining slightly to \$797.4 million in FY 2025-25. This would represent an increase of between 72 percent and 76 percent over this period. Exhibit 5 below shows the Airport’s forecast annual debt service between fiscal year 2018-29 and 2047-48. The forecast assumes a conservative 6 to 7 percent interest rate, level debt service and no refunding of outstanding bonds for debt service savings. The Airport has typically achieved interest rates below these estimates over the past few years and refinanced existing bonds for debt service savings when opportunities arise.

Exhibit 5: San Francisco Airport Annual Debt Service Forecast, FY2018-19 to FY2047-48



Source: San Francisco International Airport’s FY2019-20 Capital Improvement Plan

Debt service on the Airport’s Revenue bonds is paid from Airport revenues, which primarily consist of charges to airlines. Under the 2011 Lease and Use Agreement between the Airport and the airlines, the Airport has the authority to increase the landing and terminal fees charged to the airlines to meet its operating expenses, including annual debt service on outstanding Airport revenue bonds. According to Ms. Connors, each year, the Airport updates the terminal and landing fees. To do so, the Airport forecasts the total annual expenses and the total non-airline revenues. The difference between the annual expenses and non-airline revenues must be paid from airline landing and terminal fees, which are adjusted by the Airport to fill the gap.

According to the Airport staff, the Airport maintains debt service reserve funds, currently totaling \$587 million, in accordance with the Master Bond Resolution of 1991, which governs bond issuances by the Airport. Debt service reserves increase proportionally as the Airport's debt increases.

According to the Master Bond Resolution of 1991, the Airport Commission must ensure that the following two conditions are met with regards to debt service repayment (i.e. the "rate covenant"):

- 1) Net revenues in each fiscal year must be at least sufficient (a) to make all required payments and deposits to cover Revenue Bond debt service, and (b) to make the Annual Service Payment to the City; and,
- 2) Net revenues, together with any transfers, in each fiscal year must be at least equal to 125% of aggregate annual debt service with respect to bonds outstanding for that fiscal year.

In order to issue additional bonds for new projects, the Airport Commission must also receive a certificate from an independent consultant or auditor stating that the Airport will be able to meet the Rate Covenant for the period covered by the bonds. The Airport received this certification as part of its latest bond issuance in 2019 (\$922.2 million in 2019EFG Series Bonds) which also covered expected future bonds under the FY 2019-20 Capital Improvement Plan.

According to the Airport Consultant's forecasts, the debt service coverage rate is expected to stay above the 125 percent threshold from FY 2019-20 to FY 2025-26, as shown in Exhibit 6 below. The debt service coverage rate calculation assumes annual transfers from the Airport's Contingency Fund to cover increasing debt service. If this transfer is excluded, the debt coverage rate would decrease from 117 percent in FY 2018-19 to 111 percent in FY 2025-26. The Airport Commission has discretion to fund the Contingency Fund and use this to pay debt service.

Exhibit 6: Airport Consultant's Forecast of Debt Service Coverage from Bond Issuances for FY2018-19 to FY2025-26 (\$ in thousands)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Net Revenues ⁽¹⁾	\$540,379	\$584,290	\$653,925	\$747,242	843,659	\$891,602	\$898,659	\$881,732
Transfer from the Contingency Account*	115,877	124,357	138,639	164,945	184,431	198,987	204,012	199,356
TOTAL AVAILABLE FOR DEBT SERVICE	656,255	708,646	792,564	912,186	1,028,091	1,090,589	1,102,671	1,081,088
Debt Service Requirement ⁽²⁾	\$463,506	\$497,426	\$554,556	\$659,778	\$737,725	\$795,948	\$816,050	\$797,425
Forecast Debt Service Coverage per the Resolution	142%	142%	143%	138%	139%	137%	135%	136%
Forecast Debt Service Coverage Excluding Transfer	117%	117%	118%	113%	114%	112%	110%	111%

⁽¹⁾ Includes certain PFC revenues forecast to be designated as Revenues by the Commission, as described in the Report of the Airport Consultant. As discussed in the Report of the Airport Consultant, forecast revenues and expenses for the On-Airport Hotel were prepared by JLL. The Airport Consultant makes no representation regarding the reasonableness of the forecast financial results provided by JLL for the proposed On-Airport Hotel.

⁽²⁾ Cash basis. Includes projected debt service on outstanding Bonds, Series 2019E Bonds, Series 2019F Bonds, Series 2019G Bonds and future Bonds as described in the Report of the Airport Consultant.

* Transfer reflects lesser of Contingency Account balance or 25% of Debt Service.

Source LeighFisher, Report of the Airport Consultant.

Source: Official Statement of the Airport Commission of the City and County of San Francisco International Airport for Second Series Revenue Bonds Series 2019E/F/G and Refunding Bonds Series 2019H, Appendix A: Report of the Airport Consultant (<https://www.flysfo.com/about-sfo/investor-relations>)

According to Ms. Connors, the additional debt service costs will be included in the Airport's proposed FY 2020-21 and FY 2021-22 budget, to be submitted to the Board of Supervisors in May 2020.

POLICY CONSIDERATION

The Official Statement for the Series 2019 EFGH Airport Capital Plan bonds identified several risk factors pertaining to the issuance of bonds. These risk factors include potential slowdown of the Bay Area economy and potential reduction in demand for air travel. Other potential risks specific to the San Francisco International Airport include expiration of the Lease and Use Agreement between the Airport and the airlines in 2021, which could change the terms and conditions under which the airlines operate at the Airport; and the impact of additional debt, increasing the costs to the airlines through increased terminal rents and landing fees.

The Budget & Legislative Analyst recommends amending the proposed resolution (File 19-1124) to request the Airport Director submit the final Official Statement for each bond issuance covered by the proposed resolution to the Clerk of the Board promptly after issuance and include the documents in the legislative file.

RECOMMENDATIONS

1. Amend the proposed resolution (File 19-1124) to request the Airport Director submit the final Official Statement for each bond issuance covered by the proposed resolution

to the Clerk of the Board promptly after issuance and include the documents in the legislative file.

2. Approve the proposed resolution as amended and the proposed ordinance (File 19-1123).

Additional Detail on San Francisco International Airport's FY 2019-20 Capital Improvement Plan

The Airport prepares a Capital Improvement Plan on an as-needed basis to prioritize essential capital projects and requirements. Under the proposed resolution, Airport Capital Plan bonds may only be used to fund:

- Construction costs of Capital Plan projects that either do not require environmental review or have already undergone all necessary environmental review, such as California Environmental Quality Act (CEQA) review, and received Commission approval to proceed
- Planning and development costs necessary to prepare other Capital Plan projects for environmental review and the necessary approvals

Projects included in the Capital Plan that have not yet received environmental clearance can use other funding sources such as Small Capital Outlay or Commercial Paper to fund design and planning costs; however, construction costs cannot be funded until environmental clearance is obtained. Once environmental clearance is obtained, the Airport could seek Board of Supervisors approval to fund these projects with Airport revenue bonds.

The Capital Improvement Plan is primarily funded by Airport Revenue Bonds, with 94 percent of funding come from this source. The other sources of funding include Federal Aviation Authority grants, special fuel charges, and Passenger Facility Charges (currently \$4.50 per enplanement).

Capital Improvement Projects

The proposed FY2019-20 Airport Capital Improvement Plan projects to be funded by the proposed Airport Revenue bond proceeds are focused on meeting current and projected air traffic demand. The Plan is split into two programs, "Ascent Program – Phase I" and "Infrastructure Projects Plan." The Ascent Program represents 48 projects with a total budget of \$7.3 billion and includes a fixed set of large priority projects whereas the Infrastructure Projects Plan includes 18 projects with a total budget of \$351 million.

As shown in Exhibit 8, the top ten largest projects that would receive appropriation make up 76% (\$2.3 billion) of total unappropriated projects costs and 30% of the FY2019-20 Capital Improvement Plan. The largest projects include major renovations to Terminals 1, 3 and the International Terminal, as well as the AirTrain Extension and the Capital Improvement Plan reserve fund.

Exhibit 8: Top 10 Largest FY2019-20 Capital Improvement Projects Requiring Supplementation Appropriation (\$ in millions)

Cost Center	Airport Project Category	FY19/20 CIP Project Total	Previous Funding	FY19-20 to FY23-24 Total	Project Appropriation Needed	% of Total Appropriation Needed
Terminal 3 Program	Terminal 3 Projects	\$974	\$33	\$941	\$711	24%
Terminal 1 Program	Terminal 1 Projects (Terminal 1 Center)	\$1,371	\$669	\$702	\$501	17%
Airport Support	Ascent Program Reserve	\$440	\$0	\$440	\$440	15%
Terminal 1 Program	Terminal 1 Projects (Boarding Area B)	\$835	\$498	\$337	\$188	6%
Terminals	International Terminal Refresh Projects (Phase 2 – Departures)	\$161	\$0	\$161	\$161	5%
Terminals	International Terminal Refresh Projects (Phase 1 – Duty Free)	\$152	\$12	\$140	\$76	3%
Utilities	Net Zero Energy Projects	\$76	\$7	\$69	\$69	2%
Airport Support	Airport Support Miscellaneous Improvements	\$60	\$0	\$60	\$60	2%
Groundside	Airtrain Extension	\$237	\$111	\$126	\$52	2%
Airport Support	Superbay Renovation Projects	\$88	\$30	\$58	\$48	2%
Top 10 Sub-Total		\$4,395	\$1,361	\$3,034	\$2,306	76%
Grand Total (Exhibit 3 above)		\$7,620	\$3,020	\$4,601	\$3,015	

Source: San Francisco International Airport

Notes: “Project Appropriation Needed” is the amount of funding still needed to complete the relevant Capital Improvement Programs in each Cost Center after accounting for prior year funding and existing authorized appropriation. These are the proposed uses of the funds to be appropriated from Airport Revenue Bonds per File 19-1123. FY19/20 CIP Project Total and FY19-20 to FY23-24 Total differ as some projects have carried out from previous Capital Improvement Plans. FY19-20 to FY23-24 Total and Project Appropriation Needed differ as some projects have existing appropriation from previous fiscal years.

A summary of the key projects and expected completion dates by Airport cost center are set out below.

Airport Support Improvements: \$ 769,979,707

Airport support improvements include upgrading or replacing infrastructure and facilities which support airport operations, such as fire suppression, technology and security systems, fuel systems, the Superbay Hangar, conveyance systems, Information and Communication Technology Systems, etc. The Airport’s Noise Insulation Program is also included in Airport Support. This cost center includes the \$439 million Ascent Program Reserve which is used to offset unforeseen changes in capital project costs. The Reserve can only be used for Ascent Programs with the approval of the Airport Director.

Terminal 3 Program: \$ 711,034,265

The two major projects for Terminal 3 are (1) modernization of Terminal 3 West to increase the building's footprint, extend the building's useful life by 40 years, meet current building codes, expand the ability to accommodate larger aircraft, and improve passenger flow; and, (2) a new connector between Terminal 2 and Terminal 3, which will also add four levels of office space. The new connector will allow greater flexibility for airline gate use, improve passenger experience and free up leased space in the International Terminal. The Terminal 3 West modernization is expected to be completed by Spring 2023 and the Connector by April 2021.

Terminal 1 Program: \$ 688,691,677

The Terminal 1 Redevelopment Program is intended to modernize Boarding Area B by adding additional boarding gates, adding larger holdrooms and accommodate larger aircraft, as well as completing a total overhaul of the current Terminal 1 building. Major changes to Terminal 1 include new ticket counters, consolidated passenger screening checkpoint, a secure connector to the International Terminal and a new baggage handling and screening system. The Boarding Area B is intended to be completed by May 2021 and the remaining overhaul by April 2023.

Terminal Improvements: \$ 337,022,830

The International Terminal Building departures level will be improved through expanded security screening checkpoints to reduce wait times, expanded duty-free retail area improvements and passenger amenity improvements such as restroom and holdroom renovations. Renovations to the duty-free area were due to be completed in June 2019 and November 2019 and the remaining departures level renovations by Spring 2021. The cost center also includes \$38 million in programmatic support to manage the Capital Improvement Plan projects (i.e. construction planning services, project management and coordination, building information management and document control systems, etc.).

Utilities Improvements: \$ 269,209,504

Utilities improvements include implementation of facility changes and upgrades to achieve energy facilities with net zero carbon emissions, development of an Energy Management Control System, replacement of the sewage and industrial waste systems and completion of the Airport's new Industrial Waste Treatment Plant, as well as other power, lighting, communication and central plant improvements.

Airfield Improvements: \$ 135,560,282

Improvements to the airfield mainly include runway, taxiway and lighting improvements to upgrade existing infrastructure and maintain airfield markings in compliance with FAA requirements. These are expected to be completed in 2020.

Groundside Improvements: \$ 103,759,546

Groundside improvements relate to ground transportation equipment and infrastructure. Major projects include extending the AirTrain to the new long-term parking garages, adding a new station to service the new Airport Hotel, and upgrading the control equipment for the system. The Hotel extension was completed in Summer 2019 and the parking lot extension is

expected to be completed by Fall 2020. The Airport will also undertake various roadway improvements and modify the road and aprons around South McDonnell road to allow for additional aircraft parking spaces and accommodate increased road traffic to the Airport Hotel.

Exhibit 9: Projects Funded by Proposed Appropriation

Airport Project Category	Project Name	Supplemental Appropriation Needed
Ascent Program Reserve	11278 CIP Program Reserve	\$439,802,800
Airport Support Miscellaneous Improvements	11331 SFO Fuel System Upgrade	\$60,000,000
Airport Support Miscellaneous Improvements	11150 Computer Aided Dispatch (CAD) Replacement	\$7,105,000
Airport Support Miscellaneous Improvements	11104 Virtual Design & Construction Implementation Program	\$5,200,000
Airport Support Miscellaneous Improvements	11161 Building Information Technology Upgrade	\$2,428,577
Airport Support Miscellaneous Improvements	11073 Ramp Lighting Glare Reduction	\$1,480,350
Airport Support Miscellaneous Improvements	10630 Airport Facilities Fall Protection System (formerly 8206B)	\$1,432,453
Airport Support Miscellaneous Improvements	11136 Ground Transportation Management System (GTMS) Phase II	\$1,200,000
Airport Support Miscellaneous Improvements	11421 Stockroom and Warehouse Security & System Enhancements	\$956,000
Airport Support Miscellaneous Improvements	11065 9-1-1 Phone System Upgrade	\$946,800
Superbay Renovation Projects	8465C Superbay Fire Suppression System Replacement Project	\$48,414,423
Superbay Renovation Projects	11160 Superbay Hangar Renovation Project	\$12,857,900
Superbay Renovation Projects	8877B Superbay Hangar Door Retrofit Phase B	\$3,835,682
Superbay Renovation Projects	11189 Superbay 6th Floor Asbestos Abatement	\$365,457
Superbay Renovation Projects	11172 Superbay Hangar Infrared Heating System Replacement	\$70,852
Technology Improvement Projects	10674 Airport Information Integration Solution (AIIS)	\$16,701,595
Technology Improvement Projects	8410 Distributed Antenna System (DAS)	\$5,181,446
Technology Improvement Projects	11130 Multi-Use Flight Information Display Upgrade	\$5,000,000
Technology Improvement Projects	11139 Dense Wavelength Division Multiplexing (DWDM) Transport	\$5,000,000
Technology Improvement Projects	11155 Mobile Application Development and Delivery	\$4,378,000
Technology Improvement Projects	9170 Network Improvements	\$3,837,122
Technology Improvement Projects	11149 Access Layer Refresh 10 Gbps	\$3,700,000
Technology Improvement Projects	11156 Comprehensive Support Plan	\$2,519,542
Technology Improvement Projects	11157 Single Sign On Implementation	\$1,652,400
Technology Improvement Projects	11411 T2 Information Display Replacement	\$1,370,000
Technology Improvement Projects	11158 Data Analytics Compute Processing	\$1,043,000
Technology Improvement Projects	11132 Digital Signage Software System Enhancement	\$800,000
Technology Improvement Projects	8411A SharePoint ERP Phase 1, Integrated Time and Labor Accounting (ITA) Program	\$767,215
Technology Improvement Projects	11433 Contract Management Compliance System	\$700,000

APPENDIX: AIRPORT BONDS

	(CMCS) Phase 2	
Technology Improvement Projects	10678 Avaya Communication Manager Upgrade 7.0	\$580,830
Technology Improvement Projects	9134A IT Security Mitigation	\$572,000
Technology Improvement Projects	9171 Network Monitoring & Management	\$530,000
Technology Improvement Projects	11222 SFO Data Storage System	\$520,000
Technology Improvement Projects	11153 Internet Hardware Upgrade	\$329,911
Technology Improvement Projects	8968 Network Security	\$231,720
Technology Improvement Projects	11154 ITIL/ISO Certification	\$86,060
Technology Improvement Projects	11217 Managed Security Upgrade	\$24,910
Security Improvements	11442 CCTV Enhancement and Addition	\$11,700,000
Security Improvements	10511 Security Infrastructure Program	\$8,533,308
Security Improvements	11159 Replacement of Badging Identity Management System	\$3,500,000
Security Improvements	10538 Physical Security Information Management (PSIM)	\$1,000,000
Security Improvements	10541 License Plate Recognition (LPR) System	\$1,000,000
Security Improvements	11151 Water Perimeter Intrusions Detection System	\$857,068
Security Improvements	11095 Video Wall Refresh Program	\$500,000
Noise Insulation Projects	11457 Noise Insulation Program 2019-2023 Phase	\$19,506,709
Noise Insulation Projects	8846D Noise Insulation Improvements	\$4,160,000
Noise Insulation Projects	8846C Noise Insulation Improvements	\$150,000
Elevator, Escalator, & Moving Walk Modernization	11477 Airport Conveyance Modernization Phase 1	\$16,650,000
Support Facility Improvements	11422 Building 710 Code Required System Modernization	\$5,200,000
Support Facility Improvements	11309 Fire House #2 Improvements	\$3,460,215
Support Facility Improvements	11129 North Field GSE Maintenance Facility	\$3,163,589
Support Facility Improvements	11308 Fire House #1 Improvements	\$3,089,346
Support Facility Improvements	10610 ITT and Accounting Work Area Renovations	\$566,346
Support Facility Improvements	11167 ADM Office Upgrade and Redesign	\$218,128
Support Facility Improvements	9321 Emergency Response Facilities Improvements	\$148,440
Support Facility Improvements	9329 IT Museum Aviation Annex	\$97,906
Support Facility Improvements	10574 Police Training Support Facility	\$24,636
Airport Shoreline Protection Projects	8354A Airport Shoreline Protection at Sea Plane Harbor	\$11,081,130
Wayfinding Projects	11001 Wayfinding Program	\$10,242,709
Energy and Efficiency Improvements	11302 Plot 40/41 400Hz and PC Air (VALE Grant)	\$6,697,492
Energy and Efficiency Improvements	9188 Airport Wide Lighting Retrofit	\$1,650,715
Cargo and Hangar Improvements	9322 Renovation of Cargo Buildings 900 and 944	\$5,502,899
Airport Support Computer System Improvements	9044 Document Management System (DMS)	\$2,324,000
Airport Support Computer System Improvements	10535 Capital Planning System (CPS) Phase III	\$1,615,200
Airport Support Computer System Improvements	11216 ISO27001 Information Security Management System	\$625,000
Airport Support Computer System Improvements	9051 Operating Budget System (OBS)	\$444,999
Airport Support Computer System Improvements	8399A Property Management & Billing System	\$190,973

APPENDIX: AIRPORT BONDS

	(PMBS) Phase 2	
Capital Equipment	10565 Portable Generators	\$736,300
Capital Equipment	11423 Paver Replacement	\$510,000
Capital Equipment	11112 CNG High Speed Sweeper	\$440,000
Capital Equipment	11110 CNG High Speed Sweeper	\$420,000
Capital Equipment	11094 Mower	\$360,000
Capital Equipment	9145B Mower	\$325,000
Capital Equipment	11097 Boom and Scissor Lifts II	\$300,000
Capital Equipment	11335 Semi-Truck & Trailer	\$275,000
Capital Equipment	11092 Flatbed (2)	\$225,000
Capital Equipment	9164 Semi Truck	\$190,594
Capital Equipment	11336 FOD Trash Picker	\$180,000
Capital Equipment	11444 Multi-Conductor TV Van	\$1,375
South Field Redevelopment Projects	11044 BICE Office Relocation	\$493,585
Airport Support	Total	\$769,979,707
Terminal 3 Projects	10071 Terminal 3 West Modernization	\$711,034,265
Terminal 3 Program	Total	\$711,034,265
Terminal 1 Projects	10011 Terminal 1 Center	\$501,161,436
Terminal 1 Projects	10010 T1 - Boarding Area B Redevelopment	\$187,520,421
Terminal 1 Projects	10005 T1 - Taxilanes H&M Relocation	\$9,820
Terminal 1 Program	Total	\$688,691,677
International Terminal Refresh Projects	11365 ITB Phase 2 Project	\$161,000,000
International Terminal Refresh Projects	11118 ITB Phase 1 Project	\$75,991,765
CIP Program Support	10401 CIP Programmatic Support	\$37,853,505
Technology Improvement Projects	11211 Terminal Management System Upgrade	\$9,063,500
Technology Improvement Projects	9304 Public WiFi - Terminals	\$6,327,815
Technology Improvement Projects	10622 Operational Wi-Fi Improvements	\$661,016
International Terminal Improvements	10553 IT Fire Alarm System Upgrade	\$4,700,000
International Terminal Improvements	8959 International Terminal Passenger Boarding Bridge Refurbishment	\$4,012,500
International Terminal Improvements	10577 Upgrade ITB PC Air System	\$3,870,000
International Terminal Improvements	10546 Automated Passenger Wait Time Technology	\$513,010
International Terminal Improvements	11208 Global Entry Office Expansion	\$3,634
International Terminal Improvements	11165 IT Media Room	\$796
Miscellaneous Terminal Improvements	11319 SAO Relocation	\$3,435,500
Miscellaneous Terminal Improvements	11071 Airport Terminals Public Address System Upgrades	\$2,547,776
Miscellaneous Terminal Improvements	11418 T3 B/A F Finger Re-roof	\$1,675,000
Miscellaneous Terminal Improvements	11107 HVAC Automation/Optimization Study	\$1,500,000
Miscellaneous Terminal Improvements	11148 Installation of Airport Magnetic Stanchions	\$702,184
Miscellaneous Terminal Improvements	11419 T3 B/A F Hub Re-roof	\$512,500
Miscellaneous Terminal Improvements	11415 T1 B/A C Re-roof	\$375,000

APPENDIX: AIRPORT BONDS

Miscellaneous Terminal Improvements	11443 CBP Radio Equipment Infrastructure	\$250,000
Miscellaneous Terminal Improvements	11103 Terminal Systems Office Expansion	\$249,543
Miscellaneous Terminal Improvements	11420 T3 B/A F Thumb Re-roof	\$187,500
Revenue Enhancement and Customer Hospitality (REACH) Projects	9350 REACH ITB	\$4,486,376
Revenue Enhancement and Customer Hospitality (REACH) Projects	11333 REACH Program Implementation	\$4,155,325
Revenue Enhancement and Customer Hospitality (REACH) Projects	11124 Service Animal Relief Areas	\$173,201
International Terminal Baggage Handling System	11002 ITB CBIS and BHS Modernization	\$5,804,491
Security Improvements	10568 Airport Terminals Fire Alarm System Upgrade	\$4,364,898
Security Improvements	10559 Communication Center Infrastructure Improvements	\$57,995
Parking & Garage Improvements	10561 Garage Elevators, Escalators, & Moving Walks	\$2,548,000
Terminals	Total	\$337,022,830
Net Zero Energy Projects	11068 Energy Management Control System	\$68,793,673
Net Zero Energy Projects	10010N Net Zero Enhancements for the Boarding Area B Project	\$7,159,511
Net Zero Energy Projects	11168 Net Zero Energy Program Support	\$6,420,056
Power & Lighting Improvements	11470 Select 12KV Power Distribution System Improvements	\$45,000,000
Power & Lighting Improvements	11179 Airport Wide GSE Electrical Infrastructure	\$7,270,256
Power & Lighting Improvements	11213 Boarding Area 'G' 400 Hertz System Infrastructure Upgrade	\$5,877,821
Power & Lighting Improvements	11198 Airport Wide UPS Replacement and Upgrade	\$4,636,306
Power & Lighting Improvements	11429 Airport Electrical Power Capacity Upgrade Study	\$3,000,000
Power & Lighting Improvements	11127 Solar Power Generation Feasibility Study	\$1,000,000
Waste Water System Improvements	11441 Sequencing Batch Reactors Expansion at Mel Leong Treatment Plant	\$30,000,000
Waste Water System Improvements	10581 Recycled Water Distribution System	\$18,713,002
Waste Water System Improvements	8589B Underground Util Imp Industrial Waste Sys Phase II	\$7,496,710
Waste Water System Improvements	8522 New Sewer Outfall to SSF from MLTP	\$5,003,995
Waste Water System Improvements	8589C Underground Util Imp Industrial Waste Sys Phase III	\$179,000
Energy and Efficiency Improvements	8607 12KV Cable Replacement and System Upgrade	\$9,638,820
Energy and Efficiency Improvements	3829 Medium Voltage Station 'BP' Replacement and Telecommunication Infrastructure Expansion	\$5,789,906
Energy and Efficiency Improvements	11163 Energy Bench Marking and Building Integration Program	\$2,152,750
Energy and Efficiency Improvements	9165 Electric Vehicle Chargers Infrastructure at Cell Phone Lot	\$4,171
Water System Improvements	11081 Water Quality Testing and Monitoring Project	\$8,391,234
Water System Improvements	11077 Water Main Leak Detection and Repair Program	\$4,720,000
Water System Improvements	8571A New Water Mains Phase I	\$1,734,000
Water System Improvements	8704 West of Bayshore Water Mains Imp	\$1,336,473
Water System Improvements	11203 SFO and City of Millbrae Water Tie-ins	\$560,000

APPENDIX: AIRPORT BONDS

Water System Improvements	11079 Separation of Fire and Domestic Water Systems	\$19,520
Central Plant Improvements	8545 Central Plant Chillers No. 1 and No. 2 Replacement	\$10,808,580
Utility Improvements	11439 NG Safety & Ventilation Upgrades in the Utility Tunnel	\$4,000,000
Utility Improvements	11220 Utilities Infrastructure Project Management Support Services	\$3,250,000
Utility Improvements	11215 Utility Infrastructure Improvement Program	\$2,866,161
Technology Improvement Projects	8590 Telecommunication Infrastructure Airport Wide	\$3,387,559
Utilities	Total	\$269,209,504
Taxiway Improvements	10531 Taxiways D and T Reconstruction	\$32,228,780
Taxiway Improvements	10528 Taxiway F1 Realignment	\$20,315,620
Taxiway Improvements	10524 Taxiway C Reconstruction Phase I	\$6,842,673
Taxiway Improvements	11352 Airfield Improvements Program Support Services	\$6,240,000
Taxiway Improvements	11100 Taxilane B5 Reconstruction	\$2,320,001
Taxiway Improvements	10525 Taxiway C Reconstruction Phase II (Helipad)	\$500,000
Taxiway Improvements	11096 Taxiway E and J Realignment	\$500,000
Taxiway Improvements	10526 Taxiway F and N Reconstruction	\$500,000
Taxiway Improvements	10527 Taxiway L Reconstruction	\$500,000
Taxiway Improvements	8983 Taxiway Z Reconstruction Phase I	\$500,000
Taxiway Improvements	10529 Taxiway C3 and R Reconstruction/Realignment	\$500,000
Taxiway Improvements	10533 Taxiway Z Reconstruction Phase II	\$500,000
Miscellaneous Airfield Improvements	11299 Ground Based Augmentation System (GBAS) for Aircraft	\$9,242,484
Miscellaneous Airfield Improvements	11342 Part 139 Airfield Infrastructure Systems	\$5,567,850
Miscellaneous Airfield Improvements	11332 Part 139 Airfield Ponding Improvements	\$4,760,480
Miscellaneous Airfield Improvements	10585 Runway 28R Fire Hydrant and B/A 'G' Waterline Improvements	\$3,315,070
Miscellaneous Airfield Improvements	11117 Materials Testing Lab	\$3,219,668
Miscellaneous Airfield Improvements	11416 Center Line Realignment	\$2,742,000
Miscellaneous Airfield Improvements	11417 AOA Perimeter Fence Replacement Project - Phase 1	\$2,000,000
Miscellaneous Airfield Improvements	10551 Airfield Signage Upgrade Phase A	\$640,846
Miscellaneous Airfield Improvements	11053 Airport Pavement and Drainage Improvements	\$236,573
Miscellaneous Airfield Improvements	8984 Pavement and Drainage Improvements	\$10,644
Miscellaneous Airfield Improvements	11010 West Cargo Checkpoint Relocation	\$900
Runway Improvements	8795 Runway 1L-19R Overlay and Reconst	\$21,200,000
Runway Improvements	8981 Runway 10R-28L Overlay and Reconstruction and Taxiways F2 and S	\$267,586
Power & Lighting Improvements	10555 Field Lighting Bldg. 1 Electrical System Upgrade	\$8,210,893
Apron Reconstruction	11430 Boarding Area G Apron Improvements	\$1,400,000
Apron Reconstruction	8609 Plot 40 Reconstruction	\$500,000

APPENDIX: AIRPORT BONDS

Capital Equipment	11221 Airfield Striping Removal Equipment	\$758,552
Capital Equipment	11234 Airfield Buses	\$39,662
Airfield	Total	\$135,560,282
Airtrain Extension	10504 AirTrain Extension	\$52,278,691
Roadway Improvements	10670 Intersection Improvements	\$6,810,352
Roadway Improvements	9049 Variable Message Signs Replacement	\$2,337,642
Roadway Improvements	11135 New/Replacement Bus Shelters	\$2,000,000
Roadway Improvements	11134 Roadway Pedestrian Safety Improvements	\$1,386,000
Roadway Improvements	10566 North Link Road Traffic Signal Improvements	\$53,152
Viaduct Improvements	4105 Terminal Upper Level Viaduct Improvements, Phase I	\$4,477,580
Viaduct Improvements	3565C Terminal 2 Departure Level Roadway Repairs	\$3,075,199
Viaduct Improvements	11105 IT Seismic Joint Repair	\$2,410,000
South McDonnell Road Realignment	10515 Plot 2 Aircraft Parking Reconfiguration and South McDonnell Road Realignment - Groundside	\$9,649,621
Parking & Garage Improvements	11427 Central Garage Structural Concrete Repairs	\$6,240,000
Parking & Garage Improvements	11145 Central Garage 5th Level Improvements	\$1,235,404
Parking & Garage Improvements	11144 Central Garage Tunnel Doors	\$527,757
Parking & Garage Improvements	10648 Long Term Parking Guidance and Security System	\$438,204
Parking & Garage Improvements	10516 West Field Garage Top Level Repairs and Coating	\$130,362
AirTrain Improvements	10509 AirTrain System Upgrades	\$4,579,737
Plot 700 Redevelopment Projects	9405 Bus Maintenance Facility	\$3,773,560
Plot 700 Redevelopment Projects	10060 Ground Transportation Unit (GTU) Relocation	\$756,285
Support Facility Improvements	11428 RAC Expansion Joint Repairs and Waterproof Coating Application	\$1,000,000
Shuttle Bus Replacement	11295 Electric Shuttle Buses and Electric Vehicle Charger Installation	\$600,000
Groundside	Total	\$103,759,546
Grand Total		\$3,015,257,811

Item 3 File 20-0007	Department: San Francisco International Airport (Airport)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve Modification No. 9 to the project management support services contract between San Francisco International Airport (Airport) and T1 Cubed (a joint venture of WSP USA, Inc. and AGS, Inc.), increasing the not-to-exceed amount by \$9,000,000, for a total not to exceed \$38,500,000, and extending the term by one year through May 2022. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Airport’s Terminal 1 Redevelopment Program includes construction of a new 550,000 square foot facility at Boarding Area B. In 2014, the Airport conducted a Request for Proposals (RFP) for project management support services for the Boarding Area B project and awarded a contract to T1 Cubed. In March 2015, the Board of Supervisors approved a contract with T1 Cubed for a term of one year, from May 5, 2015 through May 4, 2016, and an amount not to exceed \$4,300,000, with five one-year options to extend through May 4, 2021 and a total not to exceed \$29,000,000. The contract has since been modified eight times. • In November 2017, the Airport announced a new delivery plan for the Terminal 1 Redevelopment Program, necessitating the Airport to increase the amount and duration of the T1 Cubed contract. The new delivery plan brought forward various elements of Phase 2 of the program into Phase 1 to accelerate the delivery of international-capable gates, reduce impact to airline operations, and improve the passenger experience. The plan also expanded the scope of the Boarding Area B, including adding four new aircraft parking positions and concourse and corridor expansions. The new delivery plan increased the Boarding Area B project budget by approximately \$154 million, from approximately \$748 million to approximately \$902 million, and increased the total Terminal 1 Redevelopment Program budget by approximately \$300 million, from approximately \$2.3 billion to approximately \$2.6 billion. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed Modification No. 9 would increase the not-to-exceed amount of the contract by \$9,000,000, for a total not to exceed \$38,500,000. Sufficient funding is available in the Airport’s FY 2019-20 Capital Budget. <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 International Airport's (Airport) Terminal 1 Redevelopment Program includes construction of a new 550,000 square foot facility at Boarding Area B. The project includes: up to 28 aircraft parking positions, including seven swing gates for international flights; a new architectural building envelope; complete electrical, mechanical, and special systems replacement; interior architecture; a new concessions program; new passenger boarding bridges; a new aircraft apron; a new fuel hydrant system; new taxiway pavement; other support systems; and public art installations. The scope also includes the renovation of moving walkways in Tunnel D, the replacement of five passenger boarding bridges and upgrades to associated infrastructure at Terminal 1 Boarding Area C, construction modifications necessary to achieve a base level WELL Building Certification for the Project and pavement reconstruction in the alleyway between Boarding Area A and Boarding Area B.

In 2014, the Airport conducted a Request for Proposals (RFP) to select two project management contracts for the Terminal 1 Redevelopment Program: one for the Terminal 1 Center Renovation project, and the other for the Boarding Area B Project. T1 Cubed, a joint venture of WSP USA, Inc.¹ and AGS, Inc., was deemed the second highest scoring responsive and responsible proposer and was awarded the Boarding Area B contract. The initial contract was for term of one year, from May 5, 2015 through May 4, 2016, and an amount not to exceed \$4,300,000, with five one-year options to extend through May 4, 2021, and a total not to exceed \$29,000,000. In March 2015, the Board of Supervisors approved the contract, authorizing the Airport to execute the options up to the \$29,000,000 not-to-exceed amount (File 15-0107, Resolution 102-15).

The contract has since been modified eight times, as shown in Exhibit 1 below.

¹ At the time of the initial contract, WSP USA, Inc. was known as Parsons Brinckerhoff, Inc.

Exhibit 1: T1 Cubed Contract Modifications

No.	Date	Approval Type	Description
1	1/19/2016	Administrative	Adjusted labor rates
2	3/15/2016	Airport Commission	Extended term by one year through May 4, 2017 and increased not-to-exceed amount to \$11,800,000
3	7/1/2016	Administrative	Adjusted labor rates and added subconsultants
4	3/21/2017	Airport Commission	Extended term by one year through May 4, 2018 and increased not-to-exceed amount to \$16,900,000
5	1/1/2018	Administrative	Adjusted labor rates and added subconsultants
6	2/20/2018	Airport Commission	Extended term by one year through May 4, 2019 and increased not-to-exceed amount to \$25,350,000
7	12/4/2018	Airport Commission	Extended term by approximately two years and one month through May 31, 2021 and increased not-to-exceed amount to \$29,000,000 ²
8	12/3/2019	Airport Commission	Increased not-to-exceed amount to \$29,500,000

On December 3, 2019, the Airport Commission approved Modification Nos. 8 and 9. Modification No. 8 allowed services to continue while the Airport sought Board of Supervisors approval for Modification No. 9, the subject of the proposed resolution.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Modification No. 9 to the Airport's contract with T1 Cubed, increasing the not-to-exceed amount by \$9,000,000, for a total not to exceed \$38,500,000, and extending the term by one year through May 2022.

The original contract end date was May 2021, based on a project completion date of July 2020, as advertised in the original RFP. The contract extension through May 2022 extends the contract by one year beyond the original contract end date. According to Mr. Victor Madrigal, Airport Principal Contracts Analyst, the contract amount and duration need to be increased because of a new Terminal 1 Redevelopment Program delivery plan announced in November 2017. The new delivery plan brought forward various elements of Phase 2 of the program into Phase 1 to accelerate the delivery of international-capable gates, reduce impact to airline operations, and improve the passenger experience. The plan also expanded the scope of the Boarding Area B by adding four new aircraft parking positions, expanded concourse width for additional concessions, expanded mezzanine level to support additional lounge space, extension of a sterile corridor to support additional international flights, high density wi-fi, and an enhanced wayfinding program. The new delivery plan increased the Boarding Area B project budget by approximately \$154 million, from approximately \$748 million to approximately \$902 million, and increased the total Terminal 1 Redevelopment Program budget by approximately \$300 million, from approximately \$2.3 billion to approximately \$2.6 billion.

² The resolution approved by the Airport Commission increased the not-to-exceed amount to \$38,500,000. However, that amount exceeded the not-to-exceed amount of \$29,000,000 approved by the Board of Supervisors, so the actual executed Modification No. 7 only increased the not-to-exceed amount to \$29,000,000.

FISCAL IMPACT

The proposed Modification No. 9 would increase the not-to-exceed amount of the contract by \$9,000,000, for a total not to exceed \$38,500,000. According to Mr. Madrigal, the Airport had spent \$28,287,645 of the \$29,500,000 not-to-exceed contract authority, as of November 2019. Contract expenditures by year are shown in Exhibit 2 below.

Exhibit 2: T1 Cubed Contract Expenditures by Year

Task	Year 1 (Actual)	Year 2 (Actual)	Year 3 (Actual)	Year 4 (Actual)	Year 5 (Est)	Year 6 (Est)	Year 7 (Est)	Total
Construction Management	1,734,203	1,735,646	1,804,883	2,066,076	2,565,380	2,914,512	1,028,609	13,849,310
Project Controls	747,843	1,648,360	1,648,951	1,153,573	616,296	407,870	206,025	6,548,917
Oversight of Trade / Construction Contractors	-	1,016,590	1,594,381	1,473,154	1,292,727	419,776	661,316	6,457,944
Architectural Support	853,214	1,350,292	635,919	492,685	430,909	319,776	661,316	6,457,944
Contract Administration	135,836	205,957	288,872	318,146	243,361	177,913	106,896	1,476,981
Inspection	-	218,421	1,972,054	1,241,177	568,648	775,621	-	4,775,921
Subtotal	3,471,096	6,175,266	7,945,061	6,744,811	5,717,321	5,015,469	2,123,283	37,192,308
Contingency	-	-	-	-	-	100,000	100,100	200,000
Subtotal	3,471,096	6,175,266	7,945,061	6,744,811	5,717,321	5,115,469	\$2,223,283	\$37,392,308
Other Direct Costs	52,560	87,127	122,251	89,570	499,507	197,702	58,975	1,107,692
Total	3,523,656	6,262,393	8,067,312	6,834,381	6,216,827	5,313,171	2,282,259	38,500,000

**Totals may not add due to rounding*

According to Mr. Madrigal, sufficient funding for current year expenditures is available in the Airport's FY 2019-20 Capital Budget

RECOMMENDATION

Approve the proposed resolution.

Item 4 File 20-0010	Department: Human Services Agency (HSA)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the second amendment to the grant agreement between the Human Services Agency (HSA) and the Institute on Aging. The resolution increases grant by \$1,076,558 from \$10,564,736 under the first amendment to \$11,641,294. The grant agreement's term length of July 1, 2019 through June 30, 2021 remains unchanged. <p>Key Points</p> <ul style="list-style-type: none"> • The Community Living Fund was established by the Board of Supervisors in 2006. Appropriations to the fund may only be used for the Department of Disability and Aging Services programming related to community placement, as specified in Section 10.100-12 of the Administrative Code. The Community Living Fund (CLF) provides funds for case management and purchase of services for older adults and adults with disabilities. • HSA entered into the original two-year CLF grant agreement with the Institute on Aging in July 2019 for \$9,794,376. The Board of Supervisors approved the first amendment to the grant agreement in November 2019, increasing the grant agreement amount to \$10,564,736. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • Under the proposed second amendment, the grant agreement budget in FY 2019-20 is \$5,800,997 and FY 2020-21 is \$5,840,297, totaling \$11,641,294 over two years. • Grant funding is 25 percent State and Federal and 75 percent General Fund. <p>Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to clarify that the total increase is \$1,076,557, from \$10,564,736 under the first amendment to \$11,641,294 under the second amendment. • Approve the proposed resolution as amended. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (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 Human Services Agency (HSA) is responsible for providing services to older adults and adults with disabilities through the Department of Disability and Aging Services (formerly known as the Department of Aging and Adult Services).

Community Living Fund (CLF)

The Community Living Fund was established by the Board of Supervisors in 2006 (File 06-0793). Appropriations to the fund may only be used for the Department of Disability and Aging Services programming related to community placement, as specified in Section 10.100-12 of the Administrative Code. The Community Living Fund (CLF) provides funds for case management and purchase of services for older adults and adults with disabilities.

The Disability and Aging Services Commission approved the Institute on Aging to administer the Community Living Fund program at its meeting on May 1, 2019. The Institute on Aging (IOA) was chosen through a Request for Proposals (RFP) in October 2018 and was awarded a grant agreement of \$9,794,736 that runs July 1, 2019 through June 30, 2021. IOA's proposal was found to be fully responsive to the RFP and they were the only bidder. According to Mr. David Kashani, Senior Contract Manager at HSA, the Institute on Aging has been providing CLF services since 2007 and the most recent grant monitoring demonstrates that IOA is meeting their performance goals.¹ In November 2019, the Board of Supervisors approved the first amendment to the grant agreement between the City and the Institute on Aging, increasing the amount of the grant by \$770,000 and bringing the not-to-exceed amount to \$10,564,736 during the agreement term of July 1, 2019 through June 30, 2021 (File 19-1049).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the second amendment to the grant agreement between the City (through the Human Services Agency) and the Institute on Aging. The resolution increases grant by \$1,076,558 from \$10,564,736 under the first amendment to \$11,641,294. The grant agreement's term length of July 1, 2019 through June 30, 2021 remains unchanged.

The Disability and Aging Services Commission approved the second amendment to the Community Living Fund grant agreement with Institute on Aging at its meeting on January 10, 2020.

¹ Performance goals include delivering sufficient units of services, data quality and reporting standards, retaining qualified staff, and delivering consistent outcomes for clients.

According to Mr. Kashani, HSA anticipates extending the grant through June 30, 2024, consistent with the original RFP, after the current grant agreement expires on June 30, 2021. In FY 2023-24, HSA plans to issue a new Request for Proposals for the administration of the Community Living Fund.

FISCAL IMPACT

The grant agreement increases by \$1,076,558, from \$10,564,736 under the first amendment approved by the Board of Supervisors in November 2019 (File 19-1049) to \$11,641,294 under the proposed resolution for the second amendment to the grant agreement, as shown in Exhibit 1 below.

Exhibit 1: Grant Agreement Increases

		Increase first amendment	Increase second amendment
Original agreement	\$9,794,736		
First amendment	\$10,564,736	\$770,000	
HSA addition ²	\$10,826,400		\$261,664
Proposed second amendment	\$11,641,294		\$814,894
Total		\$770,000	\$1,076,558

The grant agreement increased by \$261,664 since the first modification to the grant agreement to fund the Housing and Disability Income Advocacy Program (HDAP) noted below in footnote 4. The contingency for FY 2019-20 was used to fund HDAP services in anticipation of receiving a HDAP grant from the State.

Exhibit 2 below shows the proposed changes for the grant term of July 1, 2019 through June 30, 2021.

² Because the increase in the grant amount from \$10,564,736 to \$10,826,400 was less than \$500,000, it did not require Board of Supervisors approval. The increase was the \$261,664 in State funding for The Housing and Disability Income Advocacy Program.

Exhibit 2: Changes to Budget for Institute on Aging Grant

	FY 2019-20			FY 2020-21			Total
	Current Amount	Proposed Change	Proposed New Total	Current Amount	Proposed Change	Proposed New Total	
CLF Core Programs							
Salaries & Benefits	\$1,802,030	(\$4,041)	\$1,797,989	\$1,845,350	\$23,276	\$1,868,626	\$3,666,615
Operating Expense	282,001	37,867	319,868	281,513	0	281,513	601,381
HSA Overhead	312,605	5,075	317,679	319,029	3,492	322,521	640,200
Contractor Overhead	12,750	0	12,750	12,750	0	12,750	25,500
Capital Improvements	26,000	49,000	75,000	0	0	0	75,000
Other Operating Expense	443,881	20,474	464,355	465,956	46,003	511,959	976,314
Purchase of Services	1,655,992	280,000	1,935,992	1,681,992	280,000	1,961,992	3,897,984
Subtotal, Core Programs	4,535,259	388,375	4,923,633	4,606,590	352,771	4,959,361	9,882,994
Public Guardian Program³	350,000	0	350,000	350,000	0	350,000	700,000
HDAP Program⁴	261,664	0	261,664	0	0	0	261,664
Contingency	227,228	38,472	265,700	495,659	35,277	530,936	796,636
Total	\$5,374,151	\$426,847	\$5,800,997	\$5,452,249	\$388,048	\$5,840,297	\$11,641,294

Source: HSA

Note: Total may not add due to rounding.

According to data provided by HSA, the proposed increase of \$1,076,557 (see Exhibit 1) accounts for increase in program purchases,⁵ adding additional Occupational Therapist staffing (0.26 FTE),⁶ and budget for software upgrades and new equipment.

According to Mr. Kashani, the CLF program has experienced an increase in the number of referrals over the past 12 months. Mr. Kashani states that there are currently 24 clients waiting for an evaluation by an Occupational Therapist with an average of 105 days on the waitlist. Hiring a part-time Occupational Therapist is expected to reduce the time for clients on the waitlist.

Exhibit 3 below shows the funding sources for the proposed grant agreement with the Institute on Aging. Approximately 2 percent or \$261,664 is State funding, 23 percent or \$2,645,750 is federal funding, and 75 percent or \$8,733,881 is General Fund.

³ The Public Guardian Fund provides housing subsidies and limited purchases to assist Public Guardian conservatees/eligible clients who meet both CLF and Public Guardian criteria.

⁴ The Housing and Disability Income Advocacy Program (HDAP) assists individuals with disabilities who are experiencing homelessness and are at risk of institutionalization.

⁵ Examples of services that can be purchased through the CLF program are home care, assistive devices, home modifications, basic furnishings, transportation, legal assistance, and translation services. There are approximately 200 people receiving services through the CLF program on a monthly basis.

⁶ The proposed grant modification would also reduce staffing by eliminating a Registered Nurse position and reducing a Regional Director position from 0.30 FTE to 0.15 FTE, which causes the total change Salaries & Benefits in FY 2019-20 to be negative.

Exhibit 3: Funding Sources for Institute on Aging Grant

Source	Amount	Percent
State	\$261,644	2%
Federal	2,645,750	23%
General Fund	8,733,880	75%
Total	\$11,641,294	100%

Source: HSA

RECOMMENDATIONS

1. Amend the proposed resolution to clarify that the total increase is \$1,076,557, from \$10,564,736 under the first amendment to \$11,641,294 under the second amendment.
2. Approve the proposed resolution as amended.

Item 9 File 19-1298	Department: Mayor Board of Supervisors
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would adopt a fixed two-year budgetary cycle for three City departments – Airport, Port, Public Utilities Commission, for FY 2020-21 and FY 2021-22. <p>Key Points</p> <ul style="list-style-type: none"> • Under City Charter Section 9.101, the Mayor and Board of Supervisors are authorized to determine in an even-numbered fiscal year that the upcoming budget for some or all City departments should be a fixed two-year budget. The Board of Supervisors only reviews the budget in the second year if there are significant changes in revenues or expenditures. • Under the proposed resolution, the Board of Supervisors does not adopt a new budget for each of the four departments in FY 2012-22, which is the second year of the fixed two-year budgetary cycle. However, an increase or decrease of more than 5 percent in the revenues or expenditures to the respective departments requires Board of Supervisors approval of a budget amendment. • The proposed resolution requires (a) the Controller to submit a report on significant increases or decreases in revenues or expenditures to the Board of Supervisors by May 1, 2021; and (b) the Mayor to submit proposed budget amendments responding to the Controller’s report to the Board of Supervisors by June 1, 2021. The proposed budget amendments are subject to Board of Supervisors appropriation approval. <p>Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed resolution is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

City Charter Section 9.101 states that in even-numbered fiscal years, the Mayor and the Board of Supervisors by resolution may determine that the upcoming budgetary cycle or cycles for some or all City departments and offices shall be a fixed budgetary cycle or cycles in which the biennial budget will remain in effect for two fiscal years.

BACKGROUND

In 2009, the voters passed Proposition A, which, among other changes to the budget process, amended the City Charter to adopt rolling two-year budget cycles and allow for the Mayor and the Board of Supervisors to establish fixed two-year budget cycles for some or all departments. Previous to the passage of Proposition A, the City adopted one-year budgets for all departments, except for the San Francisco Municipal Transportation Agency (SFMTA), which has a two-year fixed budget pursuant to City Charter Section 8A.106.

Since the passage of Proposition A, the Board of Supervisors has adopted four resolutions establishing fixed two-year budget cycles for certain City departments, as shown below:

Budget Cycle	FY 2012-13 – FY 2013-14	FY 2014-15 – FY 2015-16	FY 2016-17 – FY 2017-18	FY 2018-19 – FY 2019-20
Resolution	0464-11	0108-14	0049-16	0094-18
Departments	Airport Port Public Utilities Commission	Airport Port Public Utilities Commission Child Support Services Retirement System Library	Airport Port Public Utilities Commission Child Support Services	Airport Port Public Utilities Commission

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would adopt a fixed two-year budgetary cycle for three City departments – Airport, Port, and Public Utilities Commission, – for FY 2020-21 and FY 2021-22.

Under the proposed resolution, the Board of Supervisors does not adopt a new budget for each of the three departments in FY 2021-22, which is the second year of the fixed two-year budgetary cycle. However, an increase or decrease of more than 5 percent in the revenues or expenditures to the respective departments requires a budget amendment subject to Board of Supervisors approval.

The proposed resolution requires (a) the Controller to submit a report on significant increases or decreases in revenues or expenditures to the Board of Supervisors by May 1, 2021 and (b) the Mayor to submit proposed budget amendments responding to the Controller's report to the Board of Supervisors by June 1, 2021. The proposed budget amendments are subject to Board of Supervisors appropriation approval.

RECOMMENDATION

Approval of the proposed resolution is a policy matter for the Board of Supervisors.