


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

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March 20, 2015

**TO:** Budget and Finance Sub-Committee  
**FROM:** Budget and Legislative Analyst   
**SUBJECT:** March 25, 2015 Budget and Finance Sub-Committee Meeting

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<b>Item 4</b> <b>File 15-0214</b>	<b>Department:</b> Public Utilities Commission (PUC)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would approve the third amendment to the existing contract between the San Francisco Public Utilities Commission (SFPUC) and Black and Veatch Corporation (B&amp;V) to (1) increase the not-to-exceed amount by \$29,500,000, from \$38,500,000 to \$68,000,000, and (2) extend the contract term by two years and ten months through May 2019. The proposed third amendment is for continued construction management services to correspond to the Calaveras Dam Project's extended construction timeline and increase project scope.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• The Calaveras Dam Replacement Project (Project) will construct a new 210 foot high dam downstream of the existing dam, which is located within 1,500 feet of the active Calaveras Earthquake Fault. The approved Calaveras Dam Project budget in 2011 was \$415,637,844 and is currently \$718,311,765 with a final completion date of May 2019.</li> <li>• In 2010, the Board of Supervisors approved a contract between SFPUC and B&amp;V to perform construction management services for the Project. The contract term was five years and six months, from August 2010 through January 2016, and for an amount not-to-exceed \$38,000,000. In July 2011, the SFPUC approved the first amendment to the agreement, which extended the agreement by six months through July 2016, for a total of six years. In March 2015, the SFPUC approved the second amendment to the contract to increase the contract amount by \$500,000 to \$38,500,000.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The budget for the proposed amendment is \$29,500,000 for B&amp;V to continue to provide construction management services. Funds to pay for the proposed amendment are included in the Calaveras Dam Project budget, which is funded by water revenue bonds. Actual expenditures to date for the project are \$442,606,846, with an additional \$275,704,919 to be spent to complete the project.</li> </ul> <p style="text-align: center;"><b>Policy Consideration</b></p> <ul style="list-style-type: none"> <li>• The remaining contingency amount for the Calaveras Dam Project is \$25,600,000. SFPUC forecasts additional change orders to the Project totaling \$20,700,000. If the project were to encounter unforeseen conditions resulting in additional change orders that exceed the Project contingency of \$25,600,000, these change orders would be paid by the WSIP Director's Reserve, which receives surplus funds from completed projects that have been under budget. The Director's Reserve has a current forecasted balance of approximately \$37,775.475.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

## MANDATE STATEMENT

City Charter Section 9.118(b) states that a 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 Calaveras Dam Replacement Project (Project) will construct a new 210 foot high dam downstream of the existing dam, which is located within 1,500 feet of the active Calaveras Earthquake Fault. In response to seismic concerns, the San Francisco Public Utilities Commission (SFPUC) lowered water levels in the Calaveras Reservoir to less than 40 percent of normal operating capacity. The Project will restore the reservoir to its original storage levels and is designed to resist a maximum credible earthquake on the Calaveras Fault. The Project is the largest project of the SFPUC's \$4.8 billion Water System Improvement Program (WSIP) to repair and replace components of the Hetch Hetchy Regional Water System.

The approved Calaveras Dam Project budget prior to the beginning of construction in 2011 was \$415,637,844. Construction began in 2011 with an original project completion date of July 2016. Unanticipated sub-surface conditions regarding seismic faults and ancient landslides were discovered during preliminary excavation of the site in 2012, which required significant design revisions and additional construction work. As of December 2014, the Calaveras Dam Project budget had increased by approximately 73 percent, or \$302,673,921, from the 2011 budget of \$415,637,844 to \$718,311,765. The current estimated date for completion of principal construction is November 2018 with a final administrative close out of the Project in May 2019.

### **Construction Management Contract**

In 2010, the Board of Supervisors approved a contract between SFPUC and Black and Veatch Corporation (B&V) to perform construction management services for the Project following a competitive Request for Proposals (RFP) process. The contract term was five years and six months, from August 2010 through January 2016, and for an amount not-to-exceed \$38,000,000. In July 2011, the SFPUC approved the first amendment to the agreement, which extended the agreement by six months through July 2016, for a total of six years. In March 2015, the SFPUC approved the second amendment to the contract to increase the contract amount by \$500,000 to \$38,500,000.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the third amendment to the existing contract between SFPUC and Black and Veatch Corporation to (1) increase the not-to-exceed amount by \$29,500,000, from \$38,500,000 to \$68,000,000, and (2) extend the contract term by two years and ten months through May 2019, for a total contract term of eight years and ten months. The proposed third amendment is for Black and Veatch to continue to provide construction

management services to correspond to the Calaveras Dam Project's extended construction timeline and increase project scope.

According to Mr. Carlos Jacobo, SFPUC Budget Director, SFPUC proposes to extend the existing contract with Black and Veatch Corporation (B&V), rather than conducting a new RFP process, because (a) B&V has extensive experience on the Calaveras Dam Project, (b) has performed adequately under the existing contract, and (c) contracting with a new construction management firm this late in the construction process could result in increased costs as the new firm gains project-specific knowledge and experience.

## FISCAL IMPACT

Funds to pay for the contract between SFPUC and B&V for construction management services, including the proposed third amendment, are included in the Calaveras Dam Project budget, which is funded by water revenue bond funds previously appropriated by the Board of Supervisors. As noted above, the total revised budget for the Calaveras Dam Project is \$718,311,765 as shown in Table 2 below. This budget includes the approved Black and Veatch construction management contract for \$38,000,000 and the requested \$29,500,000 contract amendment for a total contract not-to-exceed amount of \$68,000,000. Actual Calaveras Dam Project expenditures to date are \$442,606,846, as shown in Table 2 below.

**Table 2: Calaveras Dam Project Remaining Expenditures**

Category	Amount
Expenditures To Date	\$442,606,846
<u>Remaining Project Budget</u>	
Construction	\$229,309,981
Construction Management*	37,098,683
Project Management	5,953,352
Design	1,886,655
Closeout	1,262,451
Bid and Award	193,797
Remaining Budget	\$275,704,919
<b>Total Budget</b>	<b>\$718,311,765</b>

\* Includes construction management provided by B&V contract and SFPUC staff

Of the \$442,606,846 in expenditures to date, \$33,965,633 were for the construction management contract between SFPUC and B&V, as shown in Table 3 below. Additionally, SFPUC has encumbered \$4,534,367, resulting in total actual and encumbered expenditures of \$38,500,000.

**Table 3: B&V Contract Amount Spent as of 2/28/2015**

<b>Actual Spent as of 2/28/2015</b>	<b>Amount Encumbered</b>	<b>Total Spent and Encumbered</b>	<b>Current Contract Spending Authority</b>	<b>Remaining Spending Authority</b>
\$33,965,633	\$4,534,367	\$38,500,000	\$38,500,000	\$0

The scope of work for the proposed third amendment includes quality control, project controls, environmental compliance, asbestos compliance management and contract management. Table 4 below shows the requested budget amount for the proposed third amendment to the construction management contract between SFPUC and Black & Veatch.

**Table 4: Budget for Proposed Third Amendment to Contract**

<b>Contract Item</b>	<b>Amount</b>
<u>Construction and Close-Out Tasks</u>	
Quality Control	\$7,132,482
Contract Management	6,223,472
Asbestos Compliance Management	3,634,487
Environmental Compliance	2,429,279
Project Controls	1,083,163
Closeout and Turnover	710,439
Community Outreach	686,678
Other Direct Charges	1,800,000
<u>Construction and Close-out Tasks</u>	<u>\$23,700,000</u>
<u>Contingencies @24 percent (see below)</u>	<u>\$5,800,000</u>
<b>Total</b>	<b>\$29,500,000</b>

According to Ms. Susan Hou, SFPUC considers the contingency of 24 percent, or \$5,800,000 to be reasonable because remaining construction activities are highly dependent on geologic conditions at the Calaveras Dam site. The Calaveras Dam Project is 62.9 percent completed as December 2014. If additional changes to the site conditions are found, then SFPUC would need to increase the number of construction management staff to manage these issues for a period of time to maintain the current Project completion schedule.<sup>1</sup>

<sup>1</sup> According to Ms. Hou, in accordance with WSIP budgeting procedures, SFPUC will enter a contingency amount of \$2,370,000 (or 10 percent of the contract budget) into the WSIP project management system. The balance of \$3,430,000 (or approximately 14 percent of the contract budget) will be withheld unless SFPUC project managers execute a contract task order for additional work, in conformance with WSIP project management procedures.

**POLICY CONSIDERATIONS****Project Contingency and Future Risks**

As noted above, the total Calaveras Dam Project budget increased by approximately 73 percent, or \$302,673,921, from the original budget of \$415,637,844 to \$718,311,765 as of December 2014. According to Ms. Hou, the Project has a remaining contingency amount of \$25,600,000. SFPUC forecasts additional change orders to the Project totaling \$20,700,000. If the project were to encounter unforeseen conditions resulting in additional change orders that exceed the Project contingency of \$25,600,000, these change orders would be paid by the WSIP Director's Reserve, which receives surplus funds from completed projects that have been under budget. The Director's Reserve has a current forecasted balance of approximately \$37,775,475.

Mr. Jacobo, states that if scenarios are realized that deplete the Director's Reserve, then SFPUC would request its Water Enterprise Division to budget for additional supplemental funds as part of its 10-year Capital Improvement Plan. Mr. Jacobo further states that SFPUC would manage this potential request in a way that has as little impact as possible on water rates, or seek to defer other Capital Improvement Plan projects to later years.

**RECOMMENDATION**

Approve the proposed resolution.

<b>Item 5</b> <b>File 15-0215</b>	<b>Department:</b> Public Utilities Commission (PUC)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would authorize the San Francisco Public Utilities Commission (SFPUC) to execute the second amendment to the contract with Hatch Mott MacDonald to continue to provide construction management for the New Irvington Tunnel Project. The amendment would (1) increase the contract amount by \$2,000,000 from \$17,500,000 to \$19,500,000; and (2) extend the contract term by one year for a total contract term of seven years from July 2009 through June 2016.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• The New Irvington Tunnel Project will construct a new seismically-designed water transport tunnel parallel to the existing Irvington Tunnel between Sunol and Fremont. The new tunnel will provide redundancy and allow the SFPUC to take the old tunnel out of service for inspection and repairs. The project is scheduled to be completed on March 11, 2016 with a final Project cost of \$339,110,995.</li> <li>• In 2009, the Board of Supervisors approved a contract between SFPUC and Hatch Mott MacDonald (HMM) to provide construction management services for the Project. The contract was for an amount not-to-exceed \$15,000,000 with a term of five years, concluding on July 31, 2014. In 2011, the Board of Supervisors approved the first amendment to the contract between SFPUC and HMM to: (1) extend the agreement for one year, for a total of six years, ending in August 2015, and (2) increase the not-to-exceed amount by \$2,500,000, for a total of \$17,500,000.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• Funds to pay for the contract between SFPUC and Hatch Mott MacDonald for construction management services, are included in the New Irvington Tunnel Project budget, which is funded by water revenue bonds previously appropriated by the Board of Supervisors.</li> </ul> <p style="text-align: center;"><b>Policy Consideration</b></p> <ul style="list-style-type: none"> <li>• The remaining contingency amount for the New Irvington Tunnel Project is \$4,754,026. SFPUC forecasts additional change orders to the Project totaling \$3,900,000. If the project were to encounter unforeseen site conditions resulting in additional change orders that exceed the Project contingency of \$4,754,026, these change orders would be paid by the WSIP Director's Reserve.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	



## MANDATE STATEMENT

City Charter Section 9.118(b) states that any contracts or agreements entered into by a department, board or commission having a term in excess of ten years, or requiring anticipated expenditures by the City and County of ten million dollars, or the modification or amendments to such contract or agreement having an impact of more than \$500,000 shall be subject to approval of the Board of Supervisors by resolution.

## BACKGROUND

The Irvington Tunnel is a 3.5 mile water transport tunnel between Sunol and Fremont. The New Irvington Tunnel Project (Project) will construct a new seismically-designed tunnel parallel to the existing Irvington Tunnel. The tunnel is located between the Calaveras and Hayward Faults and supplies the majority of the drinking water to the San Francisco Public Utilities Commission's (SFPUC) 2.6 million customers. The existing Irvington Tunnel was constructed between 1928 and 1932 and has not been able to be completely taken out of service for inspection or repairs since 1966 due to the customer water demands that it supports. The Project would allow SFPUC to take the old tunnel out of service for needed inspection and repairs and provide for additional seismic stability that will provide greater reliability to the system's water demands. The Project is part of the SFPUC's Water System Improvement Program (WSIP); a \$4.8 billion program to repair, replace, and seismically upgrade SFPUC's water infrastructure.

The original approved budget for the New Irvington Tunnel Project in 2005 was \$214,650,000. Construction began in 2010 with an original project completion date of 2013. In the fall of 2014, two sections of tunnel liner were found to have failed. The repairs to these failed sections and changes from differing site conditions required the Project schedule to be extended for an additional year. As of the most recent quarterly WSIP update in December 2014, the project is 96.3 percent complete and is scheduled to be completed on March 11, 2016 with a final Project budget of \$339,110,995.

### **Construction Management Contract**

In 2009, the Board of Supervisors approved a contract between SFPUC and Hatch Mott MacDonald (HMM) to provide construction management services for the Project, following a competitive Request for Proposals process. The contract was for an amount not-to-exceed \$15,000,000 with a term of five years, concluding on July 31, 2014. Tunneling work for the Project began in March 2011. In 2011, the Board of Supervisors approved the first amendment to the contract between SFPUC and HMM to: (1) extend the agreement for one year, for a total of six years, ending in August 2015, and (2) increase the not-to-exceed amount by \$2,500,000, for a total of \$17,500,000. The amendment was to provide additional quality assurance and related construction phase service due to the addition of 15,000 linear feet of steel pipe

requested by the contractor, and unforeseen field geotechnical conditions, which slowed tunnel production rates at the Project.

### DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the SFPUC to execute the second amendment to the contract with Hatch Mott MacDonald to continue to provide construction management services for the New Irvington Tunnel Project. The amendment would (1) increase the contract amount by \$2,000,000, from \$17,500,000, for a total not-to-exceed amount of \$19,500,000; and (2) extend the agreement for one year, with a termination date of June 30, 2016, for a total contract term of seven years.

According to Mr. Carlos Jacobo, SFPUC Budget Director, SFPUC proposes to extend the existing contract with Hatch Mott MacDonald rather than enter into a new RFP process because (a) HMM has performed adequately under the existing contract, and (b) the New Irvington Tunnel Project is nearing completion, and hiring a new construction management firm would be inefficient.

### FISCAL IMPACT

Funds for the contract between SFPUC and Hatch Mott MacDonald for construction management services, including the proposed second amendment, are included in the New Irvington Tunnel Project budget, which is funded by water revenue bond funds previously appropriated by the Board of Supervisors. As noted above, the revised budget for the New Irvington Tunnel Project is \$339,110,995, shown in Table 1 below. This budget includes the approved Hatch Mott MacDonald construction management contract for \$17,500,000 and the requested \$2,000,000 amendment for a total not-to-exceed amount of \$19,500,000. New Irvington Tunnel Project expenditures to date are \$314,693,645, as shown in Table 1 below.

**Table 1: Remaining Amount to be Spent on New Irvington Tunnel Project**

Category	Amount
Expenditures to Date	\$314,693,645
<u>Remaining Project Budget</u>	
Construction	18,188,657
Construction Management*	4,938,256
Project Management	745,581
Closeout	468,978
Right-of-Way	75,878
<i>Remaining Project Budget Subtotal</i>	<i>24,417,350</i>
<b>Total Project Budget</b>	<b>\$339,110,995</b>

\* Includes construction management provided by Hatch Mott McDonald contract, SFPUC staff and other contractors.

Of the \$314,693,645 expenditures to date, \$17,362,488 were for the construction management contract between SFPUC and Hatch Mott MacDonald, as shown in Table 2 below, which is \$137,512 less than the current contract amount of \$17,500,000.

**Table 2: Amount Spent on HMM Contract as of 2/28/2015**

<b>Actual Spent as of 2/28/2015</b>	<b>Current Contract Spending Authority</b>	<b>Remaining Spending Authority</b>
\$17,362,488	\$17,500,000	\$137,512

The scope of work for the proposed second amendment includes: (1) quality assurance; (2) contract administration; (3) contracts management; (4) environmental compliance; (5) project management; (6) closeout and turnover; and (7) project controls. Table 3 below summarizes the requested increased amount of \$2,000,000 to the Hatch Mott MacDonald contract.

**Table 3: Hatch Mott MacDonald Construction Management Contract Amendment Budget**

<b>Project Category</b>	<b>Amount</b>
Quality Assurance (Inspection)	\$675,000
Contract Administration	385,000
Contracts management	318,000
Environmental Compliance	200,000
Project Management	200,000
Closeout and Turnover	54,000
Project Controls	30,000
Other Direct Charges and Mark-Up Fees	138,000
<b>Total</b>	<b>\$2,000,000</b>

## **POLICY CONSIDERATION**

### **Project Contingency**

The New Irvington Tunnel Project budget increased by \$124,460,995 or 58 percent from the original 2005 budget of \$214,650,000 to the revised budget of \$339,110,995. According to Mr. David Tsztoo, Acting Sunol/San Joaquin Regional Project Manager at SFPUC, the New Irvington Tunnel Project has a remaining construction contingency amount of \$4,754,026. SFPUC forecasts additional construction change orders to the New Irvington Tunnel Project totaling \$3,900,000. If the project were to encounter unforeseen conditions resulting in additional change orders that exceed the Project contingency of \$4,754,026, these change orders would be paid by the WSIP Director's Reserve, which receives funds from projects that have been completed under budget. The Director's Reserve has a current balance of approximately \$37,775,475.

Mr. Jacobo states that if scenarios are realized that deplete the Director's Reserve, then SFPUC would request its Water Enterprise Division to budget for additional supplemental funds as part of its 10-year Capital Improvement Plan. Mr. Jacobo further states that SFPUC would manage this potential request in a way that has as little impact as possible on water rates, or seek to defer other Capital Improvement Plan projects to later years.

**RECOMMENDATION**

Approve the proposed resolution.

<b>Item 6</b> <b>File 15-0248</b>	<b>Department:</b> Municipal Transportation Agency (MTA)
<b>EXECUTIVE SUMMARY</b>	
<p><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would approve an armed and unarmed security services contract between the SFMTA and Cypress Security for a three-year period, with three one-year options to renew at the discretion of SFMTA at a cost not to exceed \$38,314,208 over the six-year term.</li> </ul> <p><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• Based on a new RFP process, Andrews International was initially selected to provide security services. However, SFMTA was not able to successfully negotiate with Andrews International, such that SFMTA is proposing to award the contract to Cypress Security. Cypress Security will provide a total of 956,982 hours of unarmed guard services (159,497 hours per year) and 184,992 hours of armed guard services (30,832 hours per year) during each contract year.</li> </ul> <p><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• SFMTA will compensate Cypress Security an estimated total of \$38,319,464, including \$7,029,028 for armed services and \$31,290,437 for unarmed services over the six-year contract period. The budget projections of \$38,319,464 are \$5,296 more than the not-to-exceed authorization in the proposed contract of \$38,314,308.</li> <li>• For the initial three-year contract period, SFMTA will pay Cypress Security approximately \$18,449,895, 3.3 percent more than actual expenditures from September 2011 through August 2014.</li> <li>• Cypress Security will provide a reduction in service hours, due to the increase in projected billing rates, in accordance with Ordinance No. 260-14 approved on December 9, 2014.</li> </ul> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>1. Amend the proposed resolution to include a not-to-exceed amount of \$18,449,895 for the first three years of the contract, with three one-year options to extend at the sole discretion of SFMTA for a total amount not-to-exceed \$38,314,208 to be consistent with previous contracts and resolutions.</li> <li>2. Approve the proposed resolution as amended.</li> </ol>	

**MANDATE STATEMENT****Mandate Statement**

In accordance with Charter Section 9.118(b), any contracts or agreements entered into by a department having a term of over ten years or requiring anticipated expenditures of \$10,000,000, or the modification or amendment to such contracts or agreements having anticipated expenditures of more than \$500,000, are subject to Board of Supervisors approval.

**BACKGROUND***Existing SFMTA Contract with Cypress Security*

On August 12, 2008, the Board of Supervisors approved the existing contract between the San Francisco Municipal Transportation Agency (SFMTA) and Cypress Security for Cypress Security to provide armed and unarmed security guard services for the SFMTA for an amount not to exceed \$15,800,000 (see File 08-1035). The initial three-year contract began on September 1, 2008 and extended through August 31, 2011 and contained three one-year options to extend at the discretion of SFMTA through August 31, 2014.

*Contract Extensions*

Since the signing of this contract, there have been the following three contract extensions:

- On August 2, 2011, the Board of Supervisors approved a contract extension for an additional three years through August 31, 2014, and increased the authorization by \$17,100,000, for a total not-to-exceed amount of \$32,900,000 over the total six-year period (see File 11-0812).
- On July 21, 2014, the Board of Supervisors approved a one-month extension through September 30, 2014 to provide sufficient time for a new security services provider to begin their operations. Based on a competitive selection process, in 2014, SFMTA selected Andrews International to provide security services under a new contract. However, in September 2014, Andrew's International withdrew their bid as Andrew's International could not match the Service Employees International Union's (SEIU) salary rates.
- To provide additional time for a new SFMTA Request for Proposals (RFP) process, the Board of Supervisors approved a third contract extension authorizing an additional six months with Cypress Security through March 31, 2015 and authorizing a \$3,000,000 increase for a total not-to-exceed \$35,900,000 contract (see File 14-0984).

To ensure that all SFMTA security services providers pay prevailing wages, retain previously contracted employees, and finance transitional employment for those who were unable to be

retained as per San Francisco Administrative Code, Section 21c.7, the Board of Supervisors approved Ordinance No. 260-14 on December 9, 2014. This ordinance requires that these conditions be applied to all SFMTA security services contracts secured through competitive bidding for the next year.

#### *Request for Proposals for New Contract*

On December 10, 2014, the SFMTA Board of Directors authorized the issue of a new RFP for unarmed and armed security services and received proposals from Andrews International and Cypress Security. A selection committee<sup>1</sup> ranked Andrews International as the best proposal using the following criteria: (i) firm qualifications; (ii) approach to achieving contract goals; (iii) experience; and (iv) fees. However, during the contract negotiations with the SFMTA, Andrews International proposed a higher overhead and profit rate, increasing from 45 percent to 49.5 percent initially, and then subsequently, suggesting 47 percent. SFMTA concluded that the increased cost of the Andrews International contract was unjustified and elected to terminate negotiations with Andrews International. SFMTA then decided to award the contract to Cypress Security after Cypress Security agreed to lower their overhead and profit rate from 42.58 percent to 41.75 percent.

### **DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would approve a new three-year contract between the SFMTA and Cypress Security effective April 1, 2015, with three one-year options to extend at the sole discretion of SFMTA for an amount not-to-exceed \$38,314,208 over the six-year period. During each contract year, Cypress Security will provide 159,497 hours (a total of 956,982 hours for the six-year period) of unarmed guard services and 30,832 hours (a total of 184,992 hours for the six-year period) of armed guard services. The specific services include:

1. Armed Security Services: ongoing services at fare collection and pass sales locations, including Bay and Taylor, Hyde and Beach, Powell and Market, and Presidio sites and subway escort, ballpark detail, customer service, and armed supervisors; and
2. Unarmed Security Services: ongoing mobile patrols, video surveillance, ADA observers, badging clerks, graffiti patrols, field supervisors, security operations center, and customer services, Muni Metro East (north and south gate, patrol, and security console), Islais Creek, 1399 Marin, Potrero (lower and upper), Woods (back and front gate), Geneva, Green, Kirkland, Presidio, Revenue Tower, and Flynn.

Key provisions of the contract are outlined in Table 1 below.

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<sup>1</sup> The SFMTA selection committee was composed of four members, two from the SFMTA and two from the San Francisco Police Department.

**Table 1. Key Provisions of Cypress Security Contract**

Contract Term	Three years from April 1, 2015 through March 31, 2018.
Optional Contract Extensions	Three one-year extensions at the discretion of the SFMTA through March 31, 2021.
Maximum Total Compensation Over Six Years	\$38,314,208
Billing Rates	Billing rates were negotiated with Cypress Security and determined using Service Employees International Union's (SEIU) salary rates as a baseline guide.  For armed services, the bill rate is \$35.69 per hour. For unarmed services, billing rates range from \$29.50 to \$32.81 per hour.
Annual Adjustments to Billing Rates	The higher of 2.5 percent or the cumulative cost of any increase in wages and benefits, which results from a collective bargaining agreement.
Ordinance No. 260-14	Contract requires that Cypress Security pays prevailing wages to any employee providing security services under the contract as well as transition employment and retention for the prior contractor's employees as stated in Section 21C of the San Francisco Administrative Code.
Local Business Enterprise (LBE) Requirement	20 percent. Cypress Security exceeds this requirement.

Source: Contractual agreement between SFMTA and Cypress Security.

## FISCAL IMPACT

As shown in Table 2 below, based on SFMTA expenditure projections, the City will pay Cypress Security \$38,319,464 for 184,992 hours of armed services and 956,982 hours of unarmed services over the full six-year contract period. However, the budget projections of \$38,319,464 are \$5,296 more than the not-to-exceed authorization in the proposed contract of \$38,314,308. According to Mr. Ashish Patel, SFMTA Manager of Contracts and Procurement, the SFMTA will make adjustments to remain within the not-to-exceed authorization amount in the proposed contract.

For the initial three-year contract period, the SFMTA anticipates compensating Cypress Security approximately \$18,449,895 for 92,496 hours of armed services and 478,491 hours of unarmed services, as shown in Table 2 below. This projection is 3.3 percent greater than the actual expenditures of \$17,860,796 incurred during the three-year period from September 1, 2011 through August 31, 2014, shown in Table 3 below.



**Table 2. Projected Expenditures during New Contract Period\***

(April 2015 – March 2021)

Contract Period	Armed Services		Unarmed Services		Total Cost
	No. of hours	Costs	No. of hours	Costs	
2015-2016	30,832	\$1,100,394	159,497	\$4,897,694	\$5,998,088
2016-2017	30,832	\$1,127,904	159,497	\$5,021,136	\$6,149,040
2017-2018	30,832	\$1,156,102	159,497	\$5,146,665	\$6,302,766
<i>Subtotal</i>	<i>92,496</i>	<i>\$3,384,400</i>	<i>478,491</i>	<i>\$15,065,495</i>	<i>\$18,449,895</i>
2018-2019	30,832	\$1,185,004	159,497	\$5,275,331	\$6,460,336
2019-2020	30,832	\$1,214,629	159,497	\$5,407,215	\$6,621,844
2020-2021	30,832	\$1,244,995	159,497	\$5,542,395	\$6,787,390
<i>Subtotal</i>	<i>92,496</i>	<i>\$3,644,628</i>	<i>478,491</i>	<i>\$16,224,941</i>	<i>\$19,869,569</i>
<b>Total</b>	<b>184,992</b>	<b>\$7,029,028</b>	<b>956,982</b>	<b>\$31,290,437</b>	<b>\$38,319,464</b>

Source: SFMTA Staff.

\*After the first year of this contract, the projected expenditures include an estimated 2.5 percent annual increase in the billing rates, in anticipation of City and/or SEIU mandated increases in wages or mandatory health care contributions, inclusive of payroll taxes. However, this amount can increase or decrease depending on the outcome of SEIU negotiations.

**Table 3. Actual Expenditures**

Contract Period	Armed Services		Unarmed Services		Total Cost
	No. of hours	Costs	No. of hours	Costs	
2011 <sup>a</sup>	11,562	\$329,003	59,821	\$1,611,565	\$1,940,569
2012	35,241	\$1,034,512	187,967	\$5,291,441	\$6,325,952
2013	31,147	\$1,028,611	174,156	\$4,923,685	\$5,952,296
2014 <sup>b</sup>	21,666	\$678,768	113,603	\$2,963,210	\$3,641,978
<b>Total</b>	<b>99,616</b>	<b>\$3,070,894</b>	<b>535,547</b>	<b>\$14,789,902</b>	<b>\$17,860,796</b>

Source: SFMTA Staff.

a/ Year 2011 includes contract costs from September 1, 2011 through December 31, 2011, the first four months of the contract period.

b/ Year 2014 includes contract costs from January 1, 2014 and continued through August 31, 2014, the final eight months of this contract period.

However, a comparison of Table 2 and Table 3 above shows that under the proposed contract, Cypress Security will provide a significant reduction in service hours, 7,120 fewer armed service hours (92,496 vs 99,616) a 7.1% reduction in hours and 57,056 fewer unarmed service hours (535,547 vs 478,491) a 10.7% reduction in hours, as compared to the last three years of the contract. The significant reduction in service hours, coupled with the 3.3% increase in expenditures results from an increase in average billing rates of 19.8 percent for armed services

(from \$30.54 per hour to \$36.59) and 15.1 percent for unarmed services (from \$27.36 per hour to \$31.49) over the these two contract periods.

Mr. Chris Grabarkiewctz, Director of Security, Investigations, and Enforcement at SFMTA, advises that the proposed decrease in the number of hours of security services is a result of SFMTA's budget constraints, driven primarily by the Department's efforts to retain contract employees at prevailing wages, as required by Ordinance 260-14. While this reduction in security services will be challenging, Mr. Grabarkiewctz advises that with proper supervision of security staff, the proposed level of armed and unarmed guard services should be adequate to address SFMTA's security needs.

## RECOMMENDATIONS

1. Amend the proposed resolution to include a not-to-exceed amount of \$18,449,895 for the first three years of the contract with three one-year options to extend at the sole discretion of SFMTA for a total amount not-to-exceed \$38,314,208 to be consistent with previous contracts and resolutions.
2. Approve the proposed resolution as amended.

<b>Item 7</b> <b>File 15-0219</b>	<b>Department:</b> Recreation and Parks Department (RPD)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <p>The proposed ordinance would (1) de-appropriate \$11,417,300 of the 2012 Clean and Safe Neighborhood Parks Bond proceed funded projects and \$100,000 of General Fund projects, totaling \$11,517,300, from eight existing projects; and (2) re-appropriate these funds to 11 playground and recreation center projects.</p> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• In November 2012, San Francisco voters passed Proposition B, a \$195 million General Obligation Bond known as the 2012 San Francisco Clean and Safe Neighborhood Parks Bond (“Bond”) to fund infrastructure in parks throughout the City. The first Bond sale of \$53,200,000 occurred in Spring 2013. In June 2013, Bond proceeds were appropriated to provide funding for planning, design, and construction for 13 Neighborhood parks, three Citywide parks, five Citywide programs, and three Waterfront parks.</li> <li>• The re-appropriation of funds will de-appropriate funding from two Neighborhood parks, two Citywide parks, and three Citywide programs, and re-appropriate the funds to 10 Neighborhood parks. The re-appropriation is needed due to changes in anticipated project schedules and community outreach efforts.</li> <li>• Common reasons regarding RPD’s request for the de-appropriation of funding for select projects includes the (a) decision to competitively bid design consultants, (b) extensive public processes and coordination with nonprofit partners, and (c) planning process that are behind schedule and causing delays. According to RPD, none of the budgets for these projects have been reduced or eliminated.</li> <li>• Common reasons that projects are seeking re-appropriations include (a) readiness to award construction and design contracts, (b) commencement of community and internal planning processes, and (c) entrance into final stages of construction to deliver of project.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The proposed ordinance will de-appropriate \$11,517,300 from eight projects, and re-appropriate \$11,517,300 to eleven other projects. One of the de-appropriated and one of the re-appropriated projects are General Fund projects.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <p>Approve the proposed ordinance.</p>	

**MANDATE STATEMENT / BACKGROUND****Mandate Statement**

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

**Background**

In November 2012, San Francisco voters passed Proposition B, a \$195 million General Obligation Bond known as the 2012 San Francisco Clean and Safe Neighborhood Parks Bond ("Bond") to fund infrastructure in parks throughout the City. The Bond allocates \$99,000,000 for Neighborhood Parks, \$21,000,000 for Regional Parks, \$12,000,000 for the Community Opportunity Fund, \$15,500,000 for Failing Playgrounds, \$13,000,000 for Forestry, Trails, and Water Conservation, and \$34,500,000 for Waterfront parks and open spaces.

The Bond projects commenced in 2013 and are expected to be complete by 2018. According to the December 2014 Citizens' General Obligation Bond Oversight Committee report, the Recreation and Park Department, Department of Public Works and the Port jointly determined the original scheduling of Bond projects to allow for site efficiencies, balance across districts, parity across facility types, allocation of workload resources, to spread contracts over time to improve competitive bidding, and to provide adequate workload capacity of the departments.

The first Bond sale of \$53,200,000 occurred in Spring 2013. In June 2013, Bond proceeds were appropriated to provide funding for planning, design, and construction for 13 Neighborhood parks, three Citywide parks, five Citywide programs, and three Waterfront parks.

According to Ms. Dawn Kamalanathan, Director of Planning and Capital Division at the Recreation and Park Department, the second Bond sale is expected to occur in fall of 2015. Subsequent Bond sale dates are not yet known.

**DETAILS OF PROPOSED LEGISLATION**

The proposed ordinance would appropriate and de-appropriate \$11,417,300 of the 2012 Clean and Safe Neighborhood Parks Bond proceed funded projects and \$100,000 of General Fund projects, totaling \$11,517,300, for the renovation, repair, or construction of parks and open spaces in the Recreation and Park Department (RPD) for FY 2014-15.

The re-appropriation of funds will de-appropriate funding from two Neighborhood parks, two Citywide parks, and three Citywide programs, and re-appropriate the funds to 10 Neighborhood parks. According to Ms. Kamalanathan, this ordinance would not change any of the fundamental commitments of the Bond, but would rather help in managing cash flow based on the actual status of the various Bond projects. The re-appropriation of funds will ensure RPD can award contracts for those projects scheduled to go into construction during the spring and summer of 2015.

Almost all projects named in the Bond received an initial level of appropriation authority after the first Bond sale. According to Ms. Kamalanathan, this reflected RPD's anticipated schedules

and community outreach efforts at that time. As those schedules and efforts progressed, plans and policy directives were better understood, giving RPD greater clarity on each project's funding needs. RPD has determined that certain projects slated to receive funding in the first Bond sale do not currently face an immediate funding need, and the appropriated funds could be more effectively used on other projects as identified by the Recreation & Park Department.

Seven of the eight de-appropriated projects, and ten of the eleven re-appropriated projects are Bond projects. One of the de-appropriated and one of the re-appropriated projects are General Fund projects.

## FISCAL IMPACT

Table 1 below shows the proposed de-appropriation and re-appropriation of \$11,517,300 for the subject Recreation and Park Department projects.

**Table 1: De-appropriation and Re-appropriation of  
Recreation & Park Department Bond Funds**

<b>Sources of Funds</b>	
<b>Description</b>	<b>De-appropriation</b>
Balboa Park Pool Building	\$4,716,000
Lake Merced Park	354,800
Garfield Square Pool Building	146,000
Golden Gate Park	1,018,000
Playgrounds	3,925,000
Park Trails	1,000,000
Contingency	257,500
West Portal Playground Play Structure Replacement	100,000*
<b>Total Uses De-Appropriation</b>	<b>\$11,517,300</b>
<b>Uses of Funds</b>	
<b>Description</b>	<b>Re-appropriation</b>
George Christopher Playground	\$290,000
Gilman Playground	45,000
Glen Canyon Recreation Center	300,000
Joe Dimaggio Playground	137,500
Moscone Recreation Center	290,000
Mountain Lake Playground	50,000
Potrero Hill Recreation Center	275,000
South Park	25,000
West Sunset Playground	9,900,000
Willie "Woo Woo" Wong Playground	104,800
Golden Gate Heights Park	100,000*
<b>Total Uses Appropriation</b>	<b>\$11,517,300</b>

\*General Fund Projects

### Common Reasons for De-appropriation & Re-appropriation of Funding

Although the circumstances of each project are unique, there are some common reasons regarding RPD's request for the de-appropriation of funding for select projects including, the decision to competitively bid design consultants, extensive public processes and coordination with nonprofit partners, and planning process that are behind schedule and causing delays.

Common reasons that projects are seeking re-appropriations include readiness to award construction and design contracts, commencement of community and internal planning processes, and entrance into final stages of construction to deliver of project.

According to Ms. Kamalanathan, none of the budgets for these projects have been reduced or eliminated. A detailed status of each project to be de-appropriated and re-appropriated is listed in the Attachment.

### **RECOMMENDATION**

Approve the proposed ordinance.

Detailed Status of Individual Projects**De-appropriations**

<b>Balboa Park Pool Building</b>	<b>Amount</b>
Project Description	Renovation of pool, pool building, potential addition of a multi-purpose space, and site improvements to related amenities
Total Project Budget	\$7,000,000
First Bond Sale/Current Appropriation	\$6,825,000
Expenditures + Encumbered to Date	\$986,248
Total Remaining in Project Budget	\$6,013,752
<b>De-appropriation</b>	<b>\$4,716,000</b>
Revised Current Appropriation after De-appropriation	\$2,109,000
Project Status	Current: Design Expected Completion Date: April 2017
Explanation	RPD decided to pursue non-city design consultants for the development of Balboa Pool. The additional time associated with obtaining permission from Civil Service Commission, and the RFP process to select a design consultant means Balboa Pool will not need construction funds as early as initially anticipated.

<b>Lake Merced Park</b>	<b>Amount</b>
Project Description	Restoration of natural features including lakes, meadows, and landscapes; recreational assets, such as playgrounds, playfields, courts, and picnic areas; and connectivity and access such as roads, pedestrian safety, paths, and trails
Total Project Budget	\$2,000,000
First Bond Sale/Current Appropriation	\$1,000,000
Expenditures + Encumbered to Date	\$84,579
Total Remaining in Project Budget	\$1,915,421
<b>De-appropriation</b>	<b>\$354,800</b>
Revised Current Appropriation after De-appropriation	\$645,200
Project Status	Current: Planning Expected Completion Date: 2018
Explanation	This project requires an extended public process and coordination with nonprofit partners. RPD continues to develop a program plan with partners to deliver these projects. At this time, no additional design funds are required.

<b>Garfield Square Pool Building</b>	<b>Amount</b>
Project Description	Renovation of the pool, pool building, and reconfiguration of park indoor facilities, improved park accessibility, and related amenities
Total Project Budget	\$11,000,000
First Bond Sale/Current Appropriation	\$1,750,000
Expenditures + Encumbered to Date	\$84,579
Total Remaining in Project Budget	\$10,915,421
<b>De-appropriation</b>	<b>\$146,000</b>
Revised Current Appropriation after De-appropriation	\$1,604,000
Project Status	Current: Planning Expected Completion Date: April 2018
Explanation	RPD decided to pursue non-city design consultants for Garfield Pool. With approval from the Civil Service Commission, RPD is now drafting an RFP to select a consultant.

<b>Golden Gate Park</b>	<b>Amount</b>
Project Description	Restoration of natural features including lakes, meadows, and landscapes; recreational assets, such as playgrounds, playfields, courts, and picnic areas; and connectivity and access such as roads, pedestrian safety, paths, and trails
Total Project Budget	\$9,000,000
First Bond Sale/Current Appropriation	\$1,475,000
Expenditures + Encumbered to Date	\$56,967
Total Remaining in Project Budget	\$8,943,033
<b>De-appropriation</b>	<b>\$1,018,000</b>
Revised Current Appropriation after De-appropriation	\$457,000
Project Status	Current: Planning Expected Completion Date: 2018
Explanation	This project requires an extended public process and coordination with nonprofit partners. RPD continues to develop a program plan with partners to deliver these projects. At this time, no additional design funds are required.



<b>Failing Playgrounds</b>	<b>Amount</b>
Project Description	Renovating, replacing, and remediating the most dilapidated playgrounds throughout the City
Total Project Budget	\$15,500,000
First Bond Sale/Current Appropriation	\$5,000,000
Expenditures + Encumbered to Date	\$72,899
Total Remaining in Project Budget	\$15,427,101
<b>De-appropriation</b>	<b>\$3,925,000</b>
Revised Current Appropriation after De-appropriation	\$1,075,000
Project Status	Current: Planning Expected Completion: 2018
Explanation	The planning phase will begin in late Spring and funding is needed at that time.

<b>Park Trails</b>	<b>Amount</b>
Project Description	Repair and reconstruct park nature trails, pathways, and connectivity in Golden Gate Park and John McLaren Park
Total Project Budget	\$4,000,000
First Bond Sale/Current Appropriation	\$1,000,000
Expenditures + Encumbered to Date	\$0
Total Remaining in Project Budget	\$4,000,000
<b>De-appropriation</b>	<b>\$1,000,000</b>
Revised Current Appropriation after De-appropriation	\$0
Project Status	Current: Planning Expected Completion Date:2018
Explanation	This project requires an extended public process and coordination with nonprofit partners. RPD continues to develop a program plan with partners to deliver these projects. At this time, no additional design funds are required.

<b>Contingency</b>	<b>Amount</b>
Total Project Budget	\$6,000,000
First Bond Sale/Current Appropriation	\$2,923,570
Expenditures + Encumbered to Date	\$0
Total Remaining in Project Budget	\$6,000,000
<b>De-appropriation</b>	<b>\$257,500</b>
Revised Current Appropriation after De-appropriation	\$2,666,070
Project Status	N/A
Explanation	Program Contingency is available to offset overages caused by unforeseen site conditions, cost escalation, and other factors that impact park project budgets. RPD has funded the Program Contingency based on past experience and anticipated needs.

<b>West Portal Playground Play Structure Equipment</b>		<b>Amount</b>
Project Description	Renovating, replacing, and remediating the playground	
Total Project Budget	N/A, Currently included in the overall Failing Playgrounds program throughout the City. Typically playgrounds cost between \$1,000,000 to \$2,000,000 plus soft costs.	
First Bond Sale/Current Appropriation	See Failing Playgrounds.	
Expenditures + Encumbered to Date		
Total Remaining in Project Budget		
<b>De-appropriation</b>		<b>\$100,000</b>
Revised Current Appropriation after De-appropriation		
Project Status		
Explanation	Funding not needed, still in the early planning stages.	

**Re-appropriations**

<b>George Christopher Playground</b>	<b>Amount</b>
Project Description	Improvements to the children's play area, exterior clubhouse, restrooms, park access, and related amenities
Total Project Budget	\$2,800,000
First Bond Sale/Current Appropriation	\$10,000
Expenditures + Encumbered to Date	\$0
Total Remaining in Project Budget	\$2,800,000
<b>Re-appropriation</b>	<b>\$290,000</b>
Revised Current Appropriation after Re-appropriation	\$300,000
Project Status	Current: Planning Expected Completion Date: August 2018
Explanation	The planning process is expected to start in April 2015.

<b>Gilman Playground</b>	<b>Amount</b>
Project Description	New play equipment, a separate tot area, repavement, site lighting upgrades, and restroom modification
Total Project Budget	\$1,800,000
First Bond Sale/Current Appropriation	\$1,755,000
Expenditures + Encumbered to Date	\$233,848
Total Remaining in Project Budget	\$1,566,152
<b>Re-appropriation</b>	<b>\$45,000</b>
Revised Current Appropriation after Re-appropriation	\$1,800,000
Project Status	Current: Bid/Award Expected Completion Date: May 2016
Explanation	This playground is ready to go into construction this summer. RPD has issued a construction bid and needs the money to fund the construction.

<b>Glen Canyon Recreation Center</b>	<b>Amount</b>
Project Description	Enhancements to the recreation center including the gymnasium, auditorium, offices and related amenities. Addition of multipurpose space and improved restroom.
Total Project Budget	\$12,000,000
First Bond Sale/Current Appropriation	\$11,700,000
Expenditures + Encumbered to Date	\$1,642,662
Total Remaining in Project Budget	\$10,357,338
<b>Re-appropriation</b>	<b>\$300,000</b>
Revised Current Appropriation after Re-appropriation	\$12,000,000
Project Status	Current: Design Expected Completion Date: April 2017
Explanation	RPD is finishing drawings with DPW and is looking to award a construction contract in July 2015, and therefore needs the bond funds to do so.

<b>Joe Dimaggio Playground</b>	<b>Amount</b>
Project Description	Expand the children's play area, relocate and improve the tennis courts, resurface sports courts, upgrade landscaping, improve seating, picnicking, and lighting
Total Project Budget	\$5,500,000
First Bond Sale/Current Appropriation	\$6,162,500*
Expenditures + Encumbered to Date	\$1,034,895
Total Remaining in Project Budget	\$4,465,105
<b>Re-appropriation</b>	<b>\$137,500</b>
Revised Current Appropriation after Re-appropriation	\$6,300,000
Project Status	Current: Construction Expected Completion Date: March 2016
Explanation	This project is currently in construction, and needs the funding to finish construction and deliver the project.

\* The current appropriations is over the total project cost due to a contingency included in the first bond sale.

<b>Moscone Recreation Center</b>	<b>Amount</b>
Project Description	Improvements to the children's play area, improved access, and related amenities
Total Project Budget	\$1,500,000
First Bond Sale/Current Appropriation	\$10,000
Expenditures + Encumbered to Date	\$0
Total Remaining in Project Budget	\$1,500,000
<b>Re-appropriation</b>	<b>\$290,000</b>
Revised Current Appropriation after Re-appropriation	\$300,000
Project Status	Current: Planning Expected Completion Date: November 2017
Explanation	Community planning efforts will begin in April 2015.

<b>Mountain Lake Playground</b>	<b>Amount</b>
Project Description	New play areas for preschool and school age children, climbing structure, landscaping, seating, interactive facilities and access, irrigation improvements
Total Project Budget	\$2,000,000
First Bond Sale/Current Appropriation	\$1,950,000
Expenditures + Encumbered to Date	\$146,440
Total Remaining in Project Budget	\$1,853,560
<b>Re-appropriation</b>	<b>\$50,000</b>
Revised Current Appropriation after Re-appropriation	\$2,000,000
Project Status	Current: Bid/Award Expected Completion Date: June 2016
Explanation	This project is ready to go to bid and needs funding to do so. The community partner has completed their fundraising efforts.

<b>Potrero Hill Recreation Center</b>	<b>Amount</b>
Project Description	Improvements to the natural turf playfields and the dog play area
Total Project Budget	\$4,000,000
First Bond Sale/Current Appropriation	\$25,000
Expenditures + Encumbered to Date	\$0
Total Remaining in Project Budget	\$4,000,000
<b>Re-appropriation</b>	<b>\$275,000</b>
Revised Current Appropriation after Re-appropriation	\$300,000
Project Status	Current: Planning Expected Completion Date: September 2018
Explanation	Community planning efforts will begin in April 2015.

<b>South Park</b>	<b>Amount</b>
Project Description	Pathway through the park, children's play area, open meadow plazas, sitting and picnicking areas, bulb-outs and chicanes for traffic calming, bio-infiltration swales, and a rainwater cistern for irrigation usage
Total Project Budget	\$1,000,000
First Bond Sale/Current Appropriation	\$975,000
Expenditures + Encumbered to Date	\$168,466
Total Remaining in Project Budget	\$831,534
<b>Re-appropriation</b>	<b>\$25,000</b>
Revised Current Appropriation after Re-appropriation	\$1,000,000
Project Status	Current: Bid/Award Expected Completion Date: July 2016
Explanation	Community has finished fundraising and need the funding to begin planning for the next phase of construction this summer.

<b>West Sunset Playground</b>	<b>Amount</b>
Project Description	Improve 3 baseball fields, 3 soccer fields, improve the retainer wall, fencing, bleacher seating, athletic courts, landscape and irrigation, improve ADA access
Total Project Budget	\$13,200,000
First Bond Sale/Current Appropriation	\$3,300,000
Expenditures + Encumbered to Date	\$1,003,509
Total Remaining in Project Budget	\$12,196,491
<b>Re-appropriation</b>	<b>\$9,900,000</b>
Revised Current Appropriation after Re-appropriation	\$13,200,000
Project Status	Current: Bid/Award Expected Completion Date: October 2016
Explanation	RPD is completing the design and the re-appropriation will fund the construction contract so it can go out to bid.

<b>Willie "Woo Woo" Wong Playground</b>	<b>Amount</b>
Project Description	Renovation of courts, children's play area, improved park access including the adjacent alleyways and amenities, reconfiguration of park features
Total Project Budget	\$6,000,000
First Bond Sale/Current Appropriation	\$845,200
Expenditures + Encumbered to Date	\$758,055
Total Remaining in Project Budget	\$5,241,945
<b>Re-appropriation</b>	<b>\$104,800</b>
Revised Current Appropriation after Re-appropriation	\$950,000
Project Status	Current: Planning Expected Completion Date: April 2018
Explanation	Design contract was awarded and used the initial round of funding. This will cover soft costs for design, as well as the beginning of the community planning process.

<b>Golden Gate Heights Park</b>	<b>Amount</b>
Total Project Budget	Renovating, replacing, and remediating the playground
First Bond Sale/Current Appropriation	N/A, Currently included in the overall Failing Playgrounds program throughout the City. Typically playgrounds cost between \$1,000,000 to \$2,000,000 plus soft costs.
Expenditures + Encumbered to Date	See Failing Playgrounds.
Total Remaining in Project Budget	
<b>Re-appropriation</b>	<b>\$100,000</b>
Revised Current Appropriation after Re-appropriation	
Project Status	
Explanation	



<b>Item 8</b> <b>File 15-0107</b>	<b>Department:</b> San Francisco International Airport (Airport)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would approve Airport Contract 10010.41 between the Airport and T1 Cubed, a joint venture of Parsons Brinckerhoff, Inc. and AGS, Inc., for a twelve-month period, with five one-year options to renew at the Airport’s discretion. T1 Cubed will provide project management services for the New Boarding Area B Project at the San Francisco International Airport (Airport).</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• The Terminal 1 Redevelopment Program at the San Francisco International Airport will design and construct a new facility of approximately 1.1 million square feet, while allowing for uninterrupted services for airport patrons during the project period, and includes the Terminal 1 Center Renovation Project and the New Boarding Area B Project. The Terminal 1 Boarding Area B Project will create a new boarding area of approximately 550,000 square feet with 24 gates, updated concession and amenity program standards to match those of Terminal 2 and Terminal 3 Boarding Area E, as well as increased capacity to manage the projected increase in passengers. The Boarding Area B Project budget is \$575.5 million.</li> <li>• The Airport selected T1 Cubed to provide project management services following a competitive Request for Proposals process. The contract between the Airport and T1 Cubed for project management services includes five key functions: (i) general management, which ensure adherence to safety and quality assurance standards, (ii) project controls which includes the estimation of ongoing costs, task scheduling, and the handling of project changes, (iii) oversight of trade and construction contracts; (iv) contract administration, and (v) inspection services.</li> <li>• The contract is for a total of six years with a maximum budget of \$29,000,000 over the six-year period. The contract caps first year costs at \$4,300,000.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The first year contract budget is approximately \$4,250,263. Over the six-year project period, the City will pay a maximum budget of \$29,000,000. The contract is funded through the Terminal 1 Redevelopment Program, which is funded by Airport Revenue Bonds</li> </ul> <p style="text-align: center;"><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>• Amend the proposed resolution to specify the 10 percent cap on the Owner’s Contingency and the 5 percent cap on Other Allowable Direct Costs.</li> <li>• Approve the proposed resolution as amended.</li> </ul>	

**MANDATE STATEMENT**

**Mandate Statement**

City Charter Section 9.118 (b) states that with the exception of construction contracts entered into by the City and County, any other contracts or agreements entered into by a department, board or commission having a term in excess of ten years, or requiring anticipated expenditures by the City and County of ten million dollars, or the modification or amendments to such contract or agreement having an impact of more than \$500,000 shall be subject to approval of the Board of Supervisors by resolution.

**BACKGROUND**

The Terminal 1 Redevelopment Program at the San Francisco International Airport will design and construct a new facility of approximately 1.1 million square feet, while allowing for uninterrupted services for airport patrons during the project period, and includes the Terminal 1 Center Renovation Project and the New Boarding Area B Project.

The Terminal 1 Boarding Area B Project will create a new boarding area of approximately 550,000 square feet with 24 gates, updated concession and amenity program standards to match those of Terminal 2 and Terminal 3 Boarding Area E, as well as increased capacity to manage the projected increase in passengers. The Boarding Area B Project budget is \$575.5 million shown in Table 1 below, and funded by Airport revenue bonds.

**Table 1. Boarding Area B Budget Summary**

Direct Construction	\$477,000,000
Boarding Area B Project Fees*	64,000,000
Airport Project Management	5,500,000
Project and Construction Management T1 Cubed Contract	29,000,000
<b>Total Cost</b>	<b>\$575,500,000</b>

Source: Airport Staff.

\*This includes fees for contractor management, design-build<sup>1</sup>, design and engineering, and bonds.

<sup>1</sup> The Board of Supervisors approved the use of design-build contracts for the Terminal 1 Center Renovation and Boarding Area B projects in July 2014 (File 14-0700). For design-build projects, both design and construction services are obtained from the same firm, instead of hiring different contractors for these two services. It allows for an integrated approach to construction projects. The Airport awarded the Boarding Area B design-build contract to Austin Webcor Joint Venture for a preliminary contract amount of \$63,277,453 and an initial term of 300 consecutive calendar days through a competitive bidding process.

## Requests for Proposals

On February 18, 2014, the Airport Commission authorized the release of a Request for Proposals (RFP) seeking two contracts to support the Terminal 1 Center Renovation project and the Boarding Area B project to provide construction management services. The Airport issued the RFP on June 2, 2014.

The Airport received five proposals in response to the RFP on August 10, 2014 from ACJV (a joint venture of AECOM and Cooper Pineda Management); Abadjis Systems Ltd.; J+D Aviation (a joint venture of Jacobs and Dabri, Inc.); PGH Wong Engineering, Inc.; and T1 Cubed (a joint venture of Parsons Brinckerhoff, Inc. and AGS, Inc.). To determine which firms would be awarded the two contracts, the Airport assembled a five-member selection panel, including one employee of the Airport and four members representing other City Departments and firms. Each member of the selection panel reviewed and scored the submitted proposals, using the criteria outlined in the RFP which included the (a) introductions and executive summaries of each firm's proposal, (b) qualifications and professional experience, (c) the identification of proposed key project personnel and technical staff, (d) the project approach, and finally, (e) an oral interview with the selection panel, which featured problem solving activities. The RFP required submission of a rate schedule and fee proposal.

Following the evaluation of the five submitted proposals, the selection panel identified the four highest ranked bidders for interviewing, as required by the RFP. These firms included ACJV, T1 Cubed, Abadjis Systems Ltd., and J+D Aviation. ACJV was offered the first choice of the two contracts because they received the highest combined score for their proposal and interview. ACJV chose the Terminal 1 Center Renovation project contract (see File 15-0151 of the Budget and Legislative Analyst's Report to the Budget and Finance Committee). T1 Cubed, the firm with the second highest ranking combined score, was awarded the New Boarding Area B Project contract on January 20, 2015 to provide construction management services.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a contract between the Airport and T1 Cubed, a joint venture of Parsons Brinckerhoff, Inc. and AGS, Inc., to provide construction management services for the New Boarding Area B Project in Terminal 1 of the San Francisco International Airport for a term of one year, with five one-year options to renew and for an amount not-to-exceed \$29,000,000 over the six-year term. T1 Cubed will subcontract 11 firms, who will contribute to the completion of this project.<sup>2</sup>

The contract between the Airport and T1 Cubed for project management services includes five key functions: (i) general management, which ensure adherence to safety and quality assurance

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<sup>2</sup> The 11 subcontractors included in this agreement are Ambient Energy, BAC Engineering, BLC Partners, CAGE, CMPROS, Faithful & Gould (F&G), Joseph Chow & Associates (JCA), Meridian Surveying Engineering, Inc., NBA Engineering (NBA), Inc., RES Engineering (RES), Inc., and Yolanda's Construction and Administration & Traffic Control, Inc. (YCAT).

standards, (ii) project controls which includes the estimation of ongoing costs, task scheduling, and the handling of project changes, (iii) oversight of trade and construction contracts; (iv) contract administration, and (v) inspection services.

### *Contract Terms*

The proposed contract between the Airport and T1 Cubed is for one year, with five one-year options to renew the contract at the Airport's discretion. Key points in the terms of agreement are summarized in Table 2 below.

**Table 2. Key Points in Terms of Agreement**

Contract Term	One year from approximately April 2015 through March 2016.
Optional Contract Extensions	5 one-year options to extend at the discretion of the Airport through March 2021.
Maximum First-Year Payment	\$4,300,000
Maximum Total Compensation over Six Years	\$29,000,000
Direct Labor Rates and Overhead Rates	<p>Direct labor rates were negotiated by the Airport and T1 Cubed for each labor classification (such as construction manager, quality assurance manager, cost estimators, surveyors, and other classifications assigned to the contract).</p> <p>Overhead rates for each T1 Cubed prime contractor and subcontractor are calculated as a percentage of direct labor rates. Overhead rates vary by contractor/subcontractor from 129 percent to 229 percent for overhead attributed to the contractor's home office; and from 111 percent to 209 percent for overhead attributed to the field office.</p>
Annual Adjustments to Direct Labor Rates	Based on Consumer Price Index (CPI) or collective bargaining agreements at the option of the Airport.
Contractor's Fee	10 percent of direct labor rates
Contractor Mark Up on Subcontractors	2 percent
Other Direct Costs (ODC)	<p>Unless authorized, the Airport will not reimburse the Contractor for costs of business travel, contractor meals, and accommodations. When authorized, travel expenses shall be in accordance with the City &amp; County of San Francisco Travel Guidelines.</p> <p>Airport Project Manager must pre-approve any ODC expense in excess of \$500.</p>
Local Business Enterprise (LBE) Requirement	20 percent. T1 Cubed exceeds this requirement.

Source: SFO Staff; and Contractual Agreement 10010.41 between the City and County of San Francisco and T1 Cubed – A Joint Venture.

## **FISCAL IMPACT**

The contract budget in the first year is \$4,250,263 and over six years is \$29,057,497. This amount includes an owner's contingency to account for change orders initiated by the Airport and a contingency for other allowable direct costs. Contract costs are included in the Terminal 1

Boarding Area B Project budget, shown in Table 1 above, and are funded by Airport revenue bonds.

**Table 3: Year One and Total Six-Year Contract Budget\***

<b>Task</b>	<b>Year One</b>	<b>Total Six Years</b>
Construction management services <sup>a</sup>	\$424,483	\$5,581,099
Project Controls <sup>b</sup>	843,850	4,603,775
Oversight of Trade/Construction Contractors	827,153	4,076,230
Architectural support	890,753	4,080,928
Contract Administration	709,642	4,254,174
Inspection	0	2,961,292
<b>Subtotal</b>	<b>\$3,695,881</b>	<b>\$25,557,497</b>
Owner's Contingency (up to 10%)	369,588	2,500,000
<b>Subtotal</b>	<b>\$4,065,469</b>	<b>\$28,057,497</b>
Other Allowable Direct Costs (up to 5%)	184,794	1,000,000
<b>Total<sup>3</sup></b>	<b>\$4,250,263</b>	<b>\$29,057,497</b>

Source: Airport staff

a/ Construction management services encompass the oversight of adherence to safety measures and compliance to quality assurance standards.

b/ Project controls refer to estimating ongoing costs, scheduling tasks, and managing project changes.

\*The costs in Table 3 include the 2 percent allowable markup on all subcontractor invoices as well as a projected (but optional) 3.5 percent annual adjustment to direct labor costs.

Although the Airport provided a budget for an Owner's Contingency and Other Allowable Direct Costs, the contract between T1 Cubed and the Airport does not specify these funds. Therefore, the Budget and Legislative Analyst's Office recommends amending the proposed resolution to include caps on contingency funds of up to 10 percent for the Owner's Contingency and up to 5 percent for Other Allowable Direct Costs, consist with the Airport's budget for this contract.

## RECOMMENDATIONS

1. Amend the proposed resolution to specify the 10 percent cap on the Owner's Contingency and the 5 percent cap on Other Allowable Direct Costs.
2. Approve the proposed resolution as amended.

<sup>3</sup> According to Mr. Reuben Halili, Terminal 1 Redevelopment Program Director, the Airport and Contractor will adjust the Owner's Contingency, Other Allowable Direct Costs, and other contract costs to stay within the contract not-to-exceed amount of \$29,000,000.

<p><b>Item 9</b> <b>File 15-0151</b></p>	<p><b>Department:</b> San Francisco International Airport (Airport)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would approve Airport Contract 10011.41 between the City and ACJV, a joint venture of AECOM and Cooper Pugeda Management, for a twelve-month period, with four one-year options to renew at the Airport’s discretion. ACJV will provide project management services for the Terminal 1 Center Renovation Project at the San Francisco International Airport (Airport).</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• The Terminal 1 Redevelopment Program at the San Francisco International Airport will design and construct a new facility of approximately 1.1 million square feet, while allowing for uninterrupted services for airport patrons during the project period, and includes the Terminal 1 Center Renovation Project and the New Boarding Area B Project. The Terminal 1 Center Renovation Project will create a new consolidated passenger screening checkpoint, pre-security ticket counters and concessions, as well as upgraded standards for post-security passenger amenities to match those in Airport Terminal 2 and Terminal 3 Boarding Area E, and a new baggage handling system. The Terminal 1 Center Renovation Project is a \$428.4 million project.</li> <li>• The Airport selected ACJV to provide project management services following a competitive Request for Proposals process. The contract between the Airport and ACJV for construction management services includes six key functions: (i) general project management including the scheduling of tasks, estimation of ongoing costs and documentation; (ii) design; (iii) stakeholder engagement, coordinating the needs of key parties; (iv) construction management to ensure adherence to quality assurance and safety standards; (v) baggage handling system execution; and (vi) security to ensure that all activities are executed in a safe manner for both the ACJV team as well as Airport staff and patrons.</li> <li>• The contract is for a total of five years with a maximum budget of \$23,000,000 over the five-year period. The contract caps first year costs at \$3,500,000.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The first year contract budget is approximately \$3,442,452. Over the five-year project period, the City will pay a total of approximately \$22,998,608 to ACJV for 121,208 staff hours.</li> </ul> <p style="text-align: center;"><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>• Amend the proposed resolution to specify the 10 percent cap on the Owner’s Contingency and the 5 percent cap on Other Allowable Direct Costs.</li> <li>• Approve the proposed resolution as amended.</li> </ul>	

**MANDATE STATEMENT****Mandate Statement**

City Charter Section 9.118(b) states that with the exception of construction contracts entered into by the City and County, any other contracts or agreements entered into by a department, board or commission having a term in excess of ten years, or requiring anticipated expenditures by the City and County of ten million dollars, or the modification or amendments to such contract or agreement having an impact of more than \$500,000 shall be subject to approval of the Board of Supervisors by resolution.

**BACKGROUND**

The Terminal 1 Redevelopment Program at the San Francisco International Airport will design and construct a new facility of approximately 1.1 million square feet, while allowing for uninterrupted services for airport patrons during the project period, and includes the Terminal 1 Center Renovation Project and the New Boarding Area B Project.

The Terminal 1 Center Renovation Project will create a new consolidated passenger screening checkpoint, pre-security ticket counters and concessions, as well as upgraded standards for post-security passenger amenities to match those in Airport Terminal 2 and Terminal 3 Boarding Area E. The Terminal 1 Center Renovation Project will also construct a new baggage handling system and a checked baggage screening system. The Terminal 1 Center Renovation Project is a \$428.4 million project, shown in Table 1 below, and funded by Airport revenue bonds.

**Table 1. Budget Summary for Terminal 1 Center Renovation Project**

Direct Construction	\$	216,000,000
T1 Center Project Fees <sup>a</sup>		45,280,000
Baggage Handling System Fees <sup>b</sup>		140,000,000
Project Management		4,100,000
Project and Construction Management ACJV Contract		23,000,000
<b>Total</b>	<b>\$</b>	<b>428,380,000</b>

Source: Airport Staff.

a/ This includes fees for contractor management, design-build, design and engineering, programming, and bonds.

b/ This includes fees for contractor management, design-build,<sup>1</sup> design and engineering, programming, construction, and bonds.

<sup>1</sup> The Board of Supervisors approved the use of design-build contracts for the Terminal 1 Center Renovation and Boarding Area B projects in July 2014 (File 14-0700). For design-build projects, both design and construction services are obtained from the same firm, instead of hiring different contractors for these two services. It allows for an integrated approach to construction projects. The Airport awarded the Terminal 1 Center Renovation design-build contract to Hensel Phelps Construction Company for a preliminary contract amount of \$55,650,000 and an initial term of 300 consecutive calendar days through a competitive bidding process.

## Request for Proposals

On February 18, 2014, the Airport Commission authorized the release of a Request for Proposals (RFP) seeking two contracts to support the Terminal 1 Center Renovation project and the Boarding Area B project to provide construction management services. The Airport issued the RFP on June 2, 2014.

The Airport received five proposals in response to the RFP on August 10, 2014 from ACJV (a joint venture of AECOM and Cooper Pugeda Management); Abadjis Systems Ltd.; J+D Aviation (a joint venture of Jacobs and Dabri, Inc.); PGH Wong Engineering, Inc.; and T1 Cubed (a joint venture of Parsons Brinckerhoff, Inc. and AGS, Inc.). To determine which firms would be awarded the two contracts, the Airport assembled a five-member selection panel, including one employee of the Airport and four members representing other City Departments and firms. Each member of the selection panel reviewed and scored the submitted proposals, using the criteria outlined in the RFP which included the (a) introductions and executive summaries of each firm's proposal, (b) qualifications and professional experience, (c) the identification of proposed key project personnel and technical staff, (d) the project approach, and finally, (e) an oral interview with the selection panel, which featured problem solving activities. The RFP required submission of a rate schedule and fee proposal.

Following the evaluation of the five submitted proposals, the selection panel identified the four highest ranked bidders for interviewing, as required by the RFP. These firms included ACJV, T1 Cubed, Abadjis Systems Ltd., and J+D Aviation. ACJV was offered the first choice of the two contracts because they received the highest combined score for their proposal and interview. ACJV chose the Terminal 1 Center Renovation Project contract. T1 Cubed, the firm with the second highest ranking combined score, was awarded the New Boarding Area B Project contract to provide construction management services (see File 15-0107 of the Budget and Legislative Analyst's Report to the Budget and Finance Committee).

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a contract between the Airport and ACJV, a joint venture of AECOM and Cooper Pugeda Management, Inc., to provide construction management services for the Terminal 1 Center Renovation Project of the San Francisco International Airport for a term of one year and four one-year options to extend for an amount not-to-exceed \$23,000,000 over the five-year term. The ACJV team will subcontract to 6 firms, who will contribute to the completion of the project.<sup>2</sup>

The contract between the Airport and ACJV for construction management services includes six key functions: (i) general project management including the scheduling of tasks, estimation of ongoing costs and documentation; (ii) design; (iii) stakeholder engagement, coordinating the needs of key parties; (iv) construction management to ensure adherence to quality assurance

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<sup>2</sup> The 6 subcontractor firms include Apex Testing Laboratories, Inc., Cornerstone Concilium, Inc., D-Scheme Studio, mlok Consulting, Inc., Saylor Consulting, and The Thier Group.



and safety standards; (v) baggage handling system execution; and (vi) security to ensure that all activities are executed in a safe manner for both the ACJV team as well as Airport staff and patrons.

### *Contract Terms*

The proposed contract between the Airport and ACJV is for one year, with four one-year options to extend the contract at the Airport's discretion. Key points in the terms of agreement are summarized in Table 2 below.

**Table 2. Key Points in Terms of Agreement**

Contract Term	One year from approximately April 2015 through March 2016.
Optional Contract Extensions	4 one-year options to extend at the discretion of the Airport through March 2020.
Maximum First-Year Payment	\$3,500,000
Maximum Total Compensation over Five Years	\$23,000,000
Direct Labor Rates and Overhead Rates	<p>Direct labor rates were negotiated by the Airport and ACJV for each labor classification (such as construction manager, resident engineer, cost estimators, security specialists, and other classifications assigned to the contract).</p> <p>Overhead rates for each ACJV prime contractor and subcontractor are calculated as a percentage of direct labor rates. Overhead rates vary by contractor/ subcontractor from 110 percent to 180 percent for overhead attributed to the contractor's home office; and from 110 percent to 175 percent for overhead attributed to the field office.</p>
Annual Adjustments to Direct Labor Rates	Based on Consumer Price Index (CPI) or collective bargaining agreements at the option of the Airport.
Contractor's Fee	Fee for Contractor's work effort is 10 percent of direct labor. Cumulative fee of all subcontractors at any tier shall not exceed ten percent of the total direct labor of all subcontractors at any tier. No additional fee markups on indirect costs are permissible.
Contractor Mark Up on Subcontractors	2 percent
Other Direct Costs (ODC)	<p>Unless authorized, the Airport will not reimburse the Contractor for costs of business travel, contractor meals, and accommodations. When authorized, travel expenses shall be in accordance with the City &amp; County of San Francisco Travel Guidelines.</p> <p>Airport Project Manager must pre-approve any ODC expense in excess of \$500.</p>
Local Business Enterprise (LBE) Requirement	20 percent. ACJV exceeds this requirement.

Source: SFO Staff; and Contractual Agreement 10011.41 between the City and County of San Francisco and ACJV – A Joint Venture.

## FISCAL IMPACT

The contract budget in the first year is \$3,442,452 and over five years is \$22,998,608. This amount includes an owner's contingency to account for change orders initiated by the Airport and a contingency for other allowable direct costs, as noted in Table 2.

**Table 3. Year One and Total Five-Year Contract Budget\***

	Year One	Total Five Years **
Project Management	\$1,503,941	\$8,325,422
Design	682,087	3,534,102
Stakeholder Engagement	-	532,251
Construction management	510,250	4,446,837
Baggage Handling System Execution	297,158	2,578,433
Security	0	669,076
<i>Subtotal</i>	<i>\$2,993,436</i>	<i>\$20,086,121</i>
Owner's Contingency (up to 10%)	299,344	2,008,612
<i>Subtotal</i>	<i>\$3,292,780</i>	<i>\$22,094,733</i>
Other Allowable Direct Costs (approximately 5%)	149,672	903,875
<b>Total</b>	<b>\$3,442,452</b>	<b>\$22,998,608</b>

Source: SFO Staff.

\*Total costs include the 10 percent Contractor's fee, the 2 percent subcontractor markup, and an optional 2 percent annual salary adjustment. These costs are also included in the calculations for the total project cost over the five-year period.

\*\* Assumes annual increase of direct labor costs of 2 percent per year.

Although the Airport provided a budget for an Owner's Contingency and Other Allowable Direct Costs, the contact between ACJV and the Airport does not specify these funds. Therefore, the Budget and Legislative Analyst's Office recommends amending the proposed resolution to include caps on contingency funds of up to 10 percent for the Owner's Contingency and up to 5 percent for Other Allowable Direct Costs, consistent with the Airport's budget for this contract.

## RECOMMENDATIONS

1. Amend the proposed resolution to specify the 10 percent cap on the Owner's Contingency and the 5 percent cap on Other Allowable Direct Costs.
2. Approve the proposed resolution as amended.

<p><b>Items 10 and 11</b> <b>Files 15-0204 &amp; 15-0205</b></p>	<p><b>Department:</b> Municipal Transportation Agency (MTA)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p>	
<ul style="list-style-type: none"> <li>• The proposed resolution (15-0204) would approve a grant agreement with BAAQMD for the SFMTA’s Electronic Bicycle Lockers Project, in an amount of \$70,000 for a term in excess of 10 years.</li> <li>• The proposed resolution (15-0205) would authorize the SFMTA blanket approval to enter into grant agreements, with the BAAQMD to fund bicycle programs when such agreements have a term in excess of 10 years, eliminating the need for approval by the Board of Supervisors under City Charter Section 9.118(b).</li> </ul>	
<p style="text-align: center;"><b>Key Points</b></p>	
<ul style="list-style-type: none"> <li>• (File 15-0204) The provision of secure long-term bicycle parking is a key strategy for promoting bicycle transportation in the City. SFMTA plans to use grant funds to install 28 BikeLink electronic bicycle lockers, in four SFMTA owned parking garages.</li> <li>• (File 15-0205) SFMTA is seeking blanket approval of BAAQMD bicycle program grant agreements over ten years to avoid lengthy SFMTA review and Board of Supervisors approval processes in order to save administrative time and costs, expediting receipt of grant funds and implementation of projects.</li> </ul>	
<p style="text-align: center;"><b>Fiscal Impact</b></p>	
<ul style="list-style-type: none"> <li>• File 15-0204 would approve a grant agreement between the SFMTA and BAAQMD for \$70,000, to cover 59 percent of the estimated total \$117,870 electronic bicycle locker project costs. The SFMTA will provide \$8,000 in matching funds, from Proposition K funds. The remaining source of funds of \$39,870 will come from State Transportation Development Act, Article 3 Pedestrian and Bicycle Facilities Funds.</li> </ul>	
<p style="text-align: center;"><b>Policy Consideration</b></p>	
<ul style="list-style-type: none"> <li>• The City will likely be responsible for providing matching funds as a condition of future grant agreements under the requested blanket approval. The amount of these matching funds will vary by grant agreement, and remain unknown until each grant application is awarded. In addition, although the SFMTA cites the lengthy SFMTA review process and Board of Supervisors approval processes as the reason for seeking this blanket approval, the most significant delays are SFMTA internal processes, which the blanket grant approval does not address.</li> </ul>	
<p style="text-align: center;"><b>Recommendations</b></p>	
<ul style="list-style-type: none"> <li>• Amend File 15-0204 to change the word “Clear” to “Clean” in line 10 of the proposed resolution to read “WHEREAS, The Bay Area Air Quality Management District (BAAQMD), under the Transportation for Clean Air Regional Fund Program, awarded a \$70,000 grant to the San Francisco Municipal Transportation Agency (SFMTA) for the Electronic Bicycle Lockers Project.”</li> <li>• Approve the proposed resolution (File 15-0204), as amended.</li> <li>• Do not approve the SFMTA blanket approval request to enter into grant agreements, with the BAAQMD to fund bicycle programs when such agreements have a term in excess of 10 years (File 15-0205) as it would eliminate the Board of Supervisors’ approval authority.</li> </ul>	

**MANDATE STATEMENT / BACKGROUND****Mandate Statement**

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

**Background**

The San Francisco Municipal Transportation Authority (SFMTA) has a history of applying for and receiving funding from the Bay Area Air Quality Management District (BAAQMD) for projects designed to improve air quality. In June 2014, the SFMTA was awarded a \$70,000 grant from the BAAQMD to fund electronic bicycle lockers under the BAAQMD's Transportation for Clean Air Regional Fund Program. Approval of this agreement is just now being submitted to the Board of Supervisors, as the SFMTA had a three-month delay due to missing environmental documents, extended negotiations with the BAAQMD regarding the terms of the agreement, and approval by the SFMTA Board, which took approximately six weeks.

The provision of secure long-term bicycle parking is a key strategy for supporting and promoting bicycle transportation in the City, as well as reducing motor vehicle emissions by providing trip reducing transportation alternatives that would result in a reduction of vehicle miles traveled. Results of the SFMTA Long Term Bicycle Parking Strategy survey conducted in fall of 2012 indicate that secure and flexible bicycle parking would result in higher rates of bicycling in the City.

Currently, there are 52 bicycle lockers located in SFMTA owned parking garages, but they are traditional lock and key lockers, and many are broken and misused. Therefore, SFMTA seeks to replace them with electronic lockers. Electronic bicycle lockers are accessed and paid for with a microelectronics card similar to a credit card that can be purchased online, at nearby businesses, or in a vending machine. The card opens the locker and guides the user through the rental process including payment, similar to a parking meter. It is expected that each electronic bicycle locker can provide bicycle storage facilities for five to seven more people versus traditional lock and key lockers.

**Conformance with City Bicycle Policies**

Improved long-term and electronic bicycle parking is discussed in several city and regional planning documents including the Strategy for Long-Term Bicycle Parking in San Francisco, the Metropolitan Transportation Commission (MTC) Regional Bicycle Plan for the San Francisco Bay Area, and the SFMTA Clean Air Policies and Programs.

**DETAILS OF PROPOSED LEGISLATION**File 15-0204

The proposed resolution (15-0204) would approve a grant agreement with BAAQMD for the SFMTA's Electronic Bicycle Lockers Project, in an amount of \$70,000 for a term in excess of 10 years. On January 6, 2015, the SFMTA Board of Directors approved Resolution No. 15-005, authorizing the Director of Transportation to execute the grant agreement with the BAAQMD for \$70,000 of Transportation Fund for Clean Air monies, and recommended approval of the agreement by the Board of Supervisors.

On October 31, 2014, the SF Planning Department determined the electronic bicycle locker project is categorically exempt from the California Environmental Quality Act (CEQA).

Electronic Bicycle Parking Locations

With \$70,000 in funding from this grant, SFMTA plans to install 28 BikeLink electronic bicycle lockers from vendor ELock Technologies, LLC, in four SFMTA owned parking garages. These locations have been identified as high-need bicycle parking areas near busy transit stations. The four locations are:

- 174 West Portal Avenue, near the West Portal MUNI Station;
- 1340 7<sup>th</sup> Avenue, in the Inner Sunset near a MUNI station and commercial corridor;
- Moscone Garage at 255 3<sup>rd</sup> St, located in SOMA near the Moscone Center; and
- Golden Gateway Garage at 250 Clay Street, located in the Financial District.

Installation of the electronic bicycle lockers is expected to commence in May 2015 and be complete by January 2017.

File 15-0205

The proposed resolution (15-0205) would authorize the SFMTA blanket approval to enter into future grant agreements, with the BAAQMD to fund bicycle programs when such agreements have a term in excess of 10 years, eliminating the need for future approval of each individual grant agreement by the Board of Supervisors under City Charter Section 9.118(b).

Blanket Approval of BAAQMD Grants in Excess of 10 Years

Under Charter Section 9.118(b), contracts with a term over 10 years must be approved by the Board of Supervisors. In addition, the BAAQMD has instituted a policy requiring that the term of grant agreements for BAAQMD-funded programs extend the useful life of the facilities or equipment funded by the grant. The expected useful life of the electronic bicycle lockers is at least 10 years, therefore requiring a 10-year grant agreement with BAAQMD, and triggering approval by the Board of Supervisors.

According to Mr. Mark Lui, Principal Grants Analyst at SFMTA Finance & Information Technology, Ms. Robin Reitzes, Deputy City Attorney, has advised that the Board of Supervisors, under City Charter Section 9.118, is able to issue a blanket approval of grant agreements with the BAAQMD for bicycle projects when those agreements would extend over ten years. The

SFMTA is therefore seeking blanket approval from the Board of Supervisors to enter into grant agreements with the BAAQMD for the implementation of bicycle projects that have terms in excess of 10 years under Charter Section 8A.102(b)12, which states that the Agency [SFMTA] has “exclusive authority to apply for, accept, and expend state, federal, or other public or private grant funds for Agency purposes.”

According to Mr. Lui, SFMTA is seeking the blanket approval in order to avoid the lengthy and time intensive SFMTA review process and Board of Supervisors approval processes which will save administrative time and costs, allowing funds to be available more quickly, therefore expediting implementation of such projects. It should be noted that in 2010, or five years ago, the SFTMA Board adopted Resolution No. 10-108 which authorized the Executive Director to seek blanket approval from the Board of Supervisors to enter into grant agreements with BAAQMD for bicycle projects where the term of such agreements is in excess of ten years. However, according to Mr. Lui, given the state of the economy in 2010, SFMTA chose not to pursue Board of Supervisors’ approval. With the improved economy and strong support for the rapid rollout of bicycle and pedestrian improvements, the SFTMA now feels the timing is more appropriate for the blanket approval request, and is moving forward to seek approval from the Board of Supervisors.

Since 2009, the SFMTA has applied for three BAAQMD bicycle related grants, and was awarded \$121,939 in grant funding, to fund \$369,229 in total project costs, as shown in Table 1 below.

**Table 1: BAAQMD Bicycle Related Grant Awards Since 2009**

Project	Award Date	Award Amount	Required City Match Percent	Required City Matching Funds	Additional City Funds	Total Project Cost
SF Citywide Bicycle Racks	7/1/2009	\$84,000	10%	\$8,400	\$104,194	\$196,594
John Muir Drive Bike Lane	7/1/2009	\$22,639	10%	\$2,264	\$39,732	\$64,635
Great Highway/Point Lobos Bike Lane	7/1/2009	\$15,300	10%	\$1,530	\$91,170	\$108,000
<b>Total</b>		<b>\$121,939</b>	-	<b>\$12,194</b>	<b>\$235,096</b>	<b>\$369,229</b>

To date, the SFMTA has not been authorized to conduct blanket approval agreements for any of their other grant agreements.

## FISCAL IMPACT

The total estimated project cost for the 28 electronic bicycle lockers is \$117,870 as shown in Table 2 below.

**Table 2: Electronic Bicycle Lockers Estimated Project Cost**

<b>Electronic Bicycle Lockers by Location</b>	<b>Cost</b>
Moscone Garage	\$30,780
Golden Gateway Garage	\$30,350
West Portal	\$9,850
7th & Irving	\$9,850
<b>Subtotal</b>	<b>\$80,830</b>
<b>License &amp; Installation</b>	
Software License	\$18,000
Installation	\$5,600
<b>Subtotal</b>	<b>\$23,600</b>
<b>Service &amp; Operations</b>	
Annual Service Plan	\$16,800
Discount	(\$3,360)
<b>Subtotal</b>	<b>\$13,440</b>
<b>Total Project Cost</b>	<b>\$117,870</b>

Source: SFMTA

The proposed resolution (File 15-0204) would approve a grant agreement between the SFMTA and BAAQMD for \$70,000, to cover 59 percent of the estimated total \$117,870 electronic bicycle locker project costs. The Transportation for Clean Air Regional Fund Program requires 10 percent matching funds of the total grant eligible project costs. However, the SFMTA decided to provide \$8,000 or 11% of the \$70,000 BAAQMD grant in matching funds, from Proposition K funds, a half-cent local sales tax for transportation projects approved by San Francisco voters in 2003. The remaining source of funds of \$39,870 (\$117,870 estimated total project cost less \$8,000 match, less \$70,000 grant) will be from State Transportation Development Act, Article 3 Pedestrian and Bicycle Facilities Funds, as summarized in Table 3 below.

**Table 3: Sources of Funds for Electronic Bicycle Lockers Project**

<b>Funding Source</b>	<b>Funding Description</b>	<b>Amount</b>
BAAQMD	Grant	\$ 70,000
Proposition K	11% City Match	\$ 8,000
Transportation Development Act Article 3 Funds	Remaining Project Cost	\$ 39,870
<b>Total Project Cost</b>		<b>\$ 117,870</b>

Source: SFMTA

**Ongoing Costs**

According to Mr. Lui, annual maintenance costs for the electronic bicycle lockers are estimated to be \$2,000 per year. The first five years of maintenance costs are covered under warranty which is included in the purchase of the equipment. After five years, the SFMTA Operating Fund will cover any maintenance costs.

**POLICY CONSIDERATION**

If approved, this resolution (File 15-0205) would eliminate the Board of Supervisors required approval for future grant agreements with the BAAQMD to fund any bicycle projects when the term is in excess of 10 years. While this would eliminate Board of Supervisors review of projects in excess of 10 years, grant agreements over \$10,000,000, or requiring a modification with a \$500,000 impact, would still remain subject to Board of Supervisors approval.

As shown in Table 1 above, none of the grants come close to the \$10,000,000 threshold, however all of the BAAQMD grant agreements required a minimum 10% match. Therefore, the City will likely be responsible for providing matching funds as a condition of future grant agreements under the blanket approval. The amount of these matching funds will vary by grant agreement, and remain unknown until each grant application is awarded. According to Deputy City Attorney, Ms. Reitzes, the SFMTA is not subject to San Francisco Administrative Code Section 10.170-1 which requires approval by the Board of Supervisors for the acceptance and expenditure of federal, State, or other grant funds, including matching funds, of \$100,000 or more. With the blanket approval, the City could be obligated to provide a significant amount of matching funds that would not be subject to Board of Supervisors approval if the grant agreement amount remains under the current \$10,000,000 threshold.

In addition, the SFMTA cites the lengthy SFMTA review process and Board of Supervisors approval processes which are costly and can delay implementation of projects as the reason for seeking this blanket approval for grant agreements in excess of 10 years without obtaining approval of the Board of Supervisors. However, for the subject agreement, SFMTA incurred delays of eight months from June 2014 when the grant was awarded, to February 2015, when the legislation was introduced to the Board of Supervisors due to missing environmental documentation internally at the SFMTA, SFMTA negotiations with BAAQMD regarding the terms of the subject agreement, and the SFMTA review process.

These delays were not due to the Board of Supervisors approval process, but rather internal matters that extended this process, which the subject blanket grant approval does not address. The proposed legislation was introduced on February 24, 2015 to the Board of Supervisors and could be approved by the full Board as early as April 1, 2015, a process of approximately six weeks.

As discussed above, the Board of Supervisors' approval process is not the major cause of delays for the SFMTA, which is the SFMTA's rationale for requesting the proposed blanket approval resolution. Therefore, the Budget & Legislative Analyst cannot recommend the requested blanket approval for the SFMTA to enter into grant agreements with the BAAQMD to fund bicycle programs when such agreements have a term in excess of 10 years. The requested blanket grant approval would eliminate the Board of Supervisors' approval authority.

**RECOMMENDATIONS**

1. Amend File 15-0204 to change the word "Clear" to "Clean" in line 10 of the proposed resolution to read "WHEREAS, The Bay Area Air Quality Management District (BAAQMD),



under the Transportation for Clean Air Regional Fund Program, awarded a \$70,000 grant to the San Francisco Municipal Transportation Agency (SFMTA) for the Electronic Bicycle Lockers Project.”

2. Approve the proposed resolution (File 15-0204), as amended.
3. Do not approve the SFMTA blanket approval request to enter into grant agreements, with the BAAQMD to fund bicycle programs when such agreements have a term in excess of 10 years (File 15-0205) as it would eliminate the Board of Supervisors’ approval authority.