CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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September 14, 2018

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: September 20, 2018 Budget and Finance Committee Meeting

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Item 1 File 18-0770	Department: General Services Agency - City Administrator's Office (CAO)

EXECUTIVE SUMMARY

Legislative Objectives

The proposed resolution would approve the agreement between the City and County of San Francisco and the primary contractor, Western States Oil, and the secondary contractor, SC Fuels, for gasoline, for an initial term of three years from September 1, 2018, through August 21, 2021, with two one-year options to extend, for a total of five years and a not to exceed amount of $40,000,000.

Key Points

- In April 2018, OCA solicited competitive bids for gasoline for all City departments.
- OCA intends to award the primary contract to the lowest bidder, Western States Oil, and the secondary contract to the second lowest bidder, SC Fuels.
- The bids are expressed as a markup or markdown from the daily price per gallon of gasoline. Therefore, the actual price that the City will pay for gasoline will fluctuate throughout the term of the contract, and is forecasted to increase over time.

Fiscal Impact

- Over the past three fiscal years, the City has spent a total of $14,015,316 on gasoline.
- Although the proposed contract amount, which averages $8 million per year, is substantially higher than the City's actual spending for gasoline over the last three years, the City is not obligated to purchase any specific quantities of gasoline.
- Funding for the proposed fuel contract was included in the FY 2018-19 budgets of the City departments that use gasoline, as previously appropriated by the Board of Supervisors. City departments that use gasoline will request funding in their FY 2019-20 through FY 2021-22 fuel budgets, subject to appropriation approval by the Board of Supervisors.
- Gasoline prices are projected to increase by an average of 5.35 percent per year between 2019 and 2023. Assuming that City consumption of gasoline remains flat at the FY 2017-18 level; the projected price change would result in total gasoline expenditures of $31,969,436 over the five-year contract term.

Recommendations

- Amend the initial term of the contract to November 1, 2018, through October 31, 2021.
- Amend the not-to-exceed contract amount to $32,000,000.
- Approve the proposed resolution, as amended.

MANDATE STATEMENT

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

BACKGROUND

Gasoline for vehicles and equipment used by City departments is currently supplied through a contract between the City's Office of Contract Administration (OCA) and Golden Gate Petroleum. The existing contract to provide gasoline, biodiesel, and petroleum diesel, which was awarded based on a competitive process and was previously approved by the Board of Supervisors, is in an amount not to exceed $94,000,000 for a three-year term from September 1, 2013, through August 31, 2016, with two one-year options to extend for a total of five years through August 31, 2018 (File No. 13-0688; Resolution No. 297-13). OCA exercised both of the one-year options with Golden Gate Petroleum. According to Ms. Florence Kyaun, Principal Administrative Analyst at OCA, OCA extended the contract by two months through October 31, 2018, so that service would not be discontinued prior to approval of the proposed contract.

In March 2016, the Board of Supervisors approved the award of an additional contract to Golden Gate Petroleum to replace the use of petroleum diesel and biodiesel with "renewable diesel," which has lower lifecycle carbon emissions than petroleum diesel or biodiesel (File No. 16-0046; Resolution No. 82-16). The existing contract for renewable diesel, which was awarded through a competitive process, is in an amount not to exceed $60,000,000 for a three-year term from April 1, 2016, through March 31, 2019, with two one-year options to extend for a total of five years through March 31, 2021.

In April 2018, OCA solicited competitive bids for gasoline for all City departments and received responses from four suppliers. OCA intends to award the primary contract to the lowest bidder, Western States Oil, and the secondary contract to the second lowest bidder, SC Fuels. The bids are expressed as a markup or markdown from the daily price per gallon of gasoline, as published by the industry group known as the Oil Price Information Services (OPIS).[1] While the markup or markdown price remains fixed, the OPIS price per gallon fluctuates daily. Western State Oil's bid prices range from $0.04 per gallon below the OPIS daily price to $0.20 per gallon above the OPIS daily price.[2] Therefore, the actual price that the City will pay for gasoline will fluctuate throughout the term of the contract. According to Ms. Kyaun, gasoline prices are forecasted to increase over the term of the contract.

SC Fuels' bid prices range from $0.01 per gallon above the OPIS daily price to $0.24 per gallon above the OPIS daily price. The secondary contractor would provide deliveries in case of an emergency where the primary contractor cannot deliver. According to Ms. Kyaun, over the

[1] The OPIS purchase price is a standard market purchase price for a particular fuel and is not controlled by the City or the fuel distribution vendor.
[2] Depending on quantity delivered; for all locations except the Sierra.

term of the last two contracts, or the last 10 years, OCA has not had to purchase supplies from the secondary contractor.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the agreement between the City and County of San Francisco and the primary contractor, Western States Oil, and the secondary contractor, SC Fuels, for gasoline, for an initial term of three years from September 1, 2018, through August 21, 2021, with two one-year options to extend, for a total of five years and a not to exceed amount of $40,000,000.

SC Fuels is designated as the secondary contractor to be used by City departments only if the primary contractor fails to provide gasoline, per the contract.

Under the proposed contract, Western States Oil will deliver gasoline to Central Shops fueling stations, the San Francisco Municipal Transportation Agency (SFMTA), San Francisco Fire Department (SFFD), the San Francisco Public Utilities Commission (PUC), San Francisco International Airport (SFO), and the Recreation and Park Department (RPD), and will be used by departments throughout the City.

FISCAL IMPACT

Funding for the proposed fuel contract was included in the FY 2018-19 budgets of the City departments that use gasoline, as previously appropriated by the Board of Supervisors. City departments that use gasoline will request funding in their FY 2019-20 through FY 2021-22 fuel budgets, subject to appropriation approval by the Board of Supervisors.

According to Ms. Kyaun, the $40,000,000 not-to-exceed contract amount for up to five years is based on the OPIS price for gasoline, plus taxes and fees that would be charged to the City for an estimated price per gallon that includes a 35 percent contingency for future OPIS price fluctuations.[3] The estimated price per gallon is multiplied by the average annual usage from previous years. Over the past three fiscal years, the City has spent a total of $14,015,316 on gasoline, as shown in Table 1 below.

Table 1: Actual Gasoline Expenditures

Fiscal Year	Amount
FY 2015-16	$4,362,118
FY 2016-17	4,295,161
FY 2017-18	5,358,037
Total	**$14,015,316**

Although the proposed contract amount, which averages $8 million per year, is substantially higher than the City's actual spending for gasoline over the last three years, Ms. Kyaun advises that the City is not obligated to purchase any specific quantities of gasoline. Departments will

[3] The average price per gallon that will be paid for gasoline over the term of the contract is unknown because fuel prices fluctuate daily and are tied to delivery quantities.

issue purchase orders for approved purchases based on individual City department budgets that are approved by the Board of Supervisors.

POLICY CONSIDERATION

According to Ms. Kyaun, there are approximately 2,553 vehicles and 2,326 pieces of equipment in the City's fleet that use gasoline. Under the Healthy Air and Clean Transportation Program implemented in 2010, it is City policy to (1) achieve high energy efficiency and use alternative fuels with a low carbon impact; and (2) minimize the use of single occupancy vehicles and reduce the total number of passenger vehicles and light-duty trucks in the municipal fleet.

For the City to achieve its greenhouse gas reduction goals, consumption of gasoline for the municipal fleet should decrease over time. Decreases in consumption may not necessarily result in a decrease in expenditures for gasoline if market prices increase at a faster rate.

According to the U.S. Energy Information Administration,[4] gasoline prices are projected to increase by an average of 5.35 percent per year between 2019 and 2023. Assuming that City consumption of gasoline remains flat at the FY 2017-18 level, the projected price change would result in total gasoline expenditures of $31,969,436 over the five-year period from November in FY 2018-19 to October in FY 2023-24, as shown in Table 2 below.

Table 2: Projected Gasoline Expenditures November 2018 to October 2023

Fiscal Year	Amount
FY 2018-19 (November to June)	$3,763,128
FY 2019-20	5,946,683
FY 2020-21	6,264,831
FY 2021-22	6,599,999
FY 2022-23	6,953,099
FY 2023-24 (July to October)	2,441,697
Total	**$31,969,436**

The estimated gasoline purchases of approximately $32.0 million, shown in Table 2 above, assume that City departments would continue to use the same amount of gasoline over the next five years, although the City's policy is to reduce gasoline consumption in favor of low carbon fuel. The Budget and Legislative Analyst recommends reducing the not-to-exceed contract amount to $32,000,000. Expenditures above the revised contract amount would be subject to future Board of Supervisors approval.

RECOMMENDATIONS

1. Amend the initial term of the contract to November 1, 2018, through October 31, 2021.
2. Amend the not-to-exceed contract amount to $32,000,000.
3. Approve the proposed resolution, as amended.

[4] U.S. Energy Information Administration. Annual Energy Outlook 2018, Table: Energy Prices by Sector and Source. https://www.eia.gov/outlooks/aeo/data/browser

Item 6 File 18-0518	Department: Mayor's Office

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would amend the Administrative Code to modify (a) daily use fees to engage in film production, (b) extend the Film Rebate Program from July 1, 2015 through June 30, 2028, for a total of 13 years, (c) increase the authorized funding cap for the Film Rebate Project Account from $4,000,000 to $14,000,000, and (d) add administrative penalties for violations of requirements of the Film Commission Programs.

Key Points

- In 2006, the Board of Supervisors approved the Film Rebate Program, which allows film production companies, who produce qualified film productions, to receive a rebate of up to 100 percent of qualifying costs previously paid to the City.
- In 2015, the Board of Supervisors approved amending the ordinance to extend the Film Rebate Program from July 1, 2015 through June 30, 2019, and establish a funding cap of $4,000,000 over the four year period for the total amount of rebates to be paid by the City to qualified film production companies.

Fiscal Impact

- The Film Rebate Program has paid $5,522,876 in rebates between FY 2006-07 and FY 2017-18. To date, 27 films and TV shows have used the film rebate program.
- The total Film Rebate Program appropriations between FY 2015-16 and FY 2017-18 were $2,400,000 and total rebates were $1,827,014, for total funds carried forward from FY 2017-18 of $577,124. The Board of Supervisors appropriated $800,000 to the Film Rebate Program in FY 2018-19, for total available funds of $1,377,124.
- The proposed ordinance would increase the authorized funding cap for the Film Rebate Program by $10,000,000 from $4,000,000 to $14,000,000, and extend the program by nine years through June 30, 2028. However, according to the Film Commission, the Film Rebate Program needs funding of $1,000,000 per year, totaling $9,000,000 for the nine-year period from July 1, 2019 through June 30, 2028. Therefore, the funding cap should be $13,000,000 (or $9,000,000 more than the current cap of $4,000,000) rather than $14,000,000, as stated in the proposed ordinance. The proposed ordinance should be amended to reduce the funding cap from $14,000,000 to $13,000,000.
- The proposed ordinance does not set a minimum or maximum amount that the Board of Supervisors would be required to appropriate to the Film Rebate Program each year.

Recommendations

- Amend the ordinance to reduce the funding cap from $14,000,000 to $13,000,000.
- Approval is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

According to City Charter Section 2.105, the Board of Supervisors shall only act by written ordinance or resolution, except that it may act by motion on matters over which the Board of Supervisors has exclusive jurisdiction.

BACKGROUND

In April of 2006, the Board of Supervisors approved the Film Rebate Program (File 06-0065), which allows film production companies, who produce qualified film productions or qualified low-budget film productions, to receive a rebate of up to 100 percent of qualifying costs previously paid to the City. Qualifying costs include:

- Taxes paid to the City, not including hotel or sales tax;
- City departments' costs for the use of the departments' equipment, property or employees' time;
- Film Commission's daily use permit fees;
- Police officers' time, up to four police officers per day for a maximum of 12 hours per day per police officer; and
- Property lease costs, when alternative City property is not available.

Administrative Code Section 57.8 states that the purpose of the Film Rebate Program is to increase the (a) number of film productions in San Francisco, (b) number of City residents employed in the filmmaking industry, and (c) resulting economic benefits to San Francisco. Administrative Code Section 57.8(c)(2) initially specified that the total amount of rebates paid by the City to the film production companies shall not exceed $1,800,000 through June 30, 2009.

In 2009, the Board of Supervisors approved a two-year extension to the Film Rebate Program, through June 2012 (File 09-0627).

In 2012, the Board of Supervisors approved extending the Film Rebate Program for two additional years, through June 30, 2014, and increasing the total amount of available funds up to $2,000,000 for film rebates during that period (File 12-0406).

In 2013, the Board of Supervisors approved extending the Film Rebate Program for one additional year, through June 30, 2015, and increasing the total amount of available funds up to $3,000,000 (File 13-0937).

In April 2015, the Board of Supervisors approved amending the ordinance to extend the Film Rebate Program from July 1, 2015 through June 30, 2019, and establish a funding limit of $4,000,000 over the four year period for the total amount of rebates to be paid by the City to qualified film production companies, subject to appropriation approval by the Board of Supervisors (File 15-0463). In addition, the Administrative Code provides that film production companies must demonstrate good faith efforts to hire San Francisco residents through the City's First Source hiring program.

Qualified film productions include any feature length film, documentary, docudrama, television film, television pilot, reality program or each episode of a television series or web series where 65 percent of the days are filmed in the City. Qualified low-budget film productions include any feature length film, documentary, docudrama, television film, television pilot, reality program or each episode of a television series or web series where at least 55 percent of the days are filmed in the City and the total budget is $3,000,000 or less.

To date, 27 films and TV shows have used the film rebate program.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the Administrative Code to modify (a) daily use fees to engage in film production, (b) extend the Film Rebate Program from July 1, 2015 through June 30, 2028 for a total of 13 years, (c) increase the authorized funding cap for the Film Rebate Project Account from $4,000,000 to $14,000,000, and (d) add administrative penalties for violations of requirements of the Film Commission Programs.

Daily Use Fees

The proposed ordinance would allow low-budget short films to qualify for the low budget production daily use fee. Currently, short films must pay $200 per day for filming, which, according to Ms. Susannah Robbins, Executive Director of the San Francisco Films Commission, is prohibitively expensive for small budget short films. The proposed changes to the ordinance would allow short films to qualify for daily permit fees of between $50 and $100.[1]

The proposed ordinance would also allow exemptions of fees for productions created by or for entities that are tax exempt under section 501(c)(3) of the Internal Revenue Code.

Extension through 2028

The current program's sunset date is June 30, 2019. The proposed ordinance would extend the program by an additional nine years to June 30, 2028. In the past, the program has been extended by smaller increments. According to Ms. Robbins, many productions begin to budget two years prior to filming. The longer extension will give producers more confidence that the rebate program will remain for projects that extend over many years.

Administrative Penalties

The proposed ordinance establishes administrative penalties of up to three times the applicable user fee for any person in violation of Chapter 57, which details the Film Rebate Program. The amount of the administrative penalty will be based on the impact of the violation on the community, the amount of staff time needed to investigate and address such violations, and such other factors as justice may require. In addition, a film production seeking certification that a film was made in compliance with the laws of the jurisdiction where it was filmed, but that did not enter into a use contract at the time of filming, could receive a certification of

[1] If the total production budget is under $100,000, the production would qualify for $50 daily permit fee. If the budget is under $500,000, the production would qualify for $100 daily permit fee.

compliance upon payment of the administrative penalty. There are currently no administrative penalties.

FISCAL IMPACT

The Film Rebate Program has paid $5,522,876 in rebates between FY 2006-07 and FY 2017-18, as shown in Table 1 below.

Table 1: Actual Expenditures on Film Rebate Program

Fiscal Year	Actual Expenditures
FY 06-07	$42,151
FY 07-08	-
FY 08-09	171,049
FY 09-10	535,212
FY 10-11	164,277
FY 11-12	627,131
FY 12-13	231,025
FY 13-14	831,501
FY 14-15	1,097,654
FY 15-16	800,000
FY 16-17	800,000
FY 17-18	222,876
Total	**$ 5,522,876**

Source: Film Commission

As shown in Table 1 above, annual expenditures ranged from $0 to $1,097,654 per year. All unspent funds are carried forward to the new fiscal year. The Film Rebate Program currently has a fund balance of $577,124 from FY 2017-18.

Annual appropriation to the Film Rebate Program

The Film Rebate Program funds are General Fund monies subject to Board of Supervisors approval. The Board of Supervisors allocated $1.8 million to the program in 2006 and $2 million to the program in 2012. In 2014, the Board of Supervisors extended Film Rebate Program for four years from FY 2015-16 to FY 2018-19. The Board of Supervisors set the program not-to-exceed amount at $4 million over the four-year period, and has appropriated $3,200,000 through FY 2018-19.

The total Film Rebate Program appropriations between FY 2015-16 and FY 2017-18 were $2,400,000 and total rebates were $1,827,014, for total funds carried forward from FY 2017-18 of $577,124. The Board of Supervisors appropriated $800,000 to the Film Rebate Program in FY 2018-19, for total available funds of $1,377,124.

Proposed Reduction in Funding Cap

The proposed ordinance would increase the authorized funding cap for the Film Rebate Program by $10,000,000 from $4,000,000 to $14,000,000, and extend the program by nine years through June 30, 2028. However, according to Ms. Robbins, the Film Commission needs Film Rebate Program funding of $1,000,000 per year, totaling $9,000,000 for the nine-year period from July 1, 2019 through June 30, 2028. Therefore, the funding cap should be $13,000,000 (or $9,000,000 more than the current cap of $4,000,000) rather than $14,000,000, as stated in the proposed ordinance. The proposed ordinance should be amended to reduce the funding cap from $14,000,000 to $13,000,000.

The proposed ordinance does not set a minimum or maximum amount that the Board of Supervisors would be required to appropriate to the Film Rebate Program each year.

POLICY CONSIDERATION

The Film Commission estimates that the Program has generated $28,908,205 in spending in San Francisco since June 2013

Based on data pertaining to the film rebate program provided by the Film Commission, Table 2 below shows the estimated direct spending in the San Francisco economy generated by film productions for which rebates were paid in the past five completed fiscal years. As shown below, every dollar the City expended on film rebates between FY 2013-14 and FY 2017-18 generated between $3.58 and $11.69 in direct spending in San Francisco. This assumes that these productions would not film in San Francisco were it not for the Film Rebate Program.

Table 2: Direct spending generated by film rebate program

Fiscal Year	Direct Spending*	Rebate	Economic Multiplier
FY 13-14	$4,997,669	$831,501	$6.01
FY 14-15	12,826,828	1,097,654	11.69
FY 15-16	3,058,390	799,700	3.82
FY 16-17	7,210,915	800,000	9.01
FY 17-18	814,403	227,876	3.65
Total	**$28,908,205**	**$3,751,731**	**$6.84**

*Direct Spending includes San Francisco wages

The legislation previously approved by the Board of Supervisors authorizing the Film Rebate Program requires that the Director of the Film Commission provide the Board of Supervisors with an annual report on the implementation of the film rebate program. The Budget and Legislative Analyst has confirmed that these reports were submitted to the Board of

Supervisors for all fiscal years except FY 2015-16.[2] According to Ms. Robbins, the Film Commission plans to submit the annual report for FY 2017-18 by December 31st.

RECOMMENDATIONS

1. Amend the ordinance to reduce the funding cap from $14,000,000 to $13,000,000.
2. Approval is a policy matter for the Board of Supervisors.

[2] According to Ms. Susannah Robbins, Executive Director of the San Francisco Film Commission, the report was finalized but never published.

Item 7 File 18-0769	Department: Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves the lease amendment between the City, as landlord, and New Conservatory Theatre Center, a California non-profit corporation, as tenant, for theater, and office space at 25 Van Ness, Lower Level. The proposed amendment to the original lease (a) revises the lease expiration date from the current expiration date of September 30, 2013, to the revised date of September 30, 2018; and (b) exercises the first extension option to extend the lease by five years from October 1, 2018 through September 30, 2023.

Key Points

- The New Conservatory Theatre Center (NCTC), a California non-profit corporation, has been providing live entertainment in theater space in the City-owned building at 25 Van Ness Avenue since 1984. In November 2008, the Board of Supervisors approved a resolution authorizing the lease between the City, as landlord, and NCTC, as tenant, of approximately 12,792 rentable square feet of space in the lower level of 25 Van Ness Avenue (File 08-1273). The term of the lease was from December 1, 2008 through September 30, 2013 with two 5-year options for renewal.

Fiscal Impact

- The annual rent paid by NCTC to the City under the proposed lease amendment is $95,796, which remains unchanged during the five-year lease extension. Total rent paid by NCTC to the City over the five-year term is $478,980. The parties agreed to a new rent of $7,983 per month (or $95,796 per year) effective October 1, 2018, which is an increase of 2 percent (rather than the 3 to 8 percent provided in the original lease agreement) from the existing rent of $7,826 per month, because of water intrusion prevention and repairs that have been made by the tenant. The existing rent of $7,826 is based on $0.55 per square foot, which has not increased in the ten years and nine months since NCTC entered into the original lease in January 2008.

Policy Consideration

- After the original lease between the City and NCTC expired in September 2013, the Real Estate Division (RED) did not amend the lease to exercise the first five-year extension option, but rather agreed to a continued extension of the option exercise notice. The Real Estate Division does not have a specific policy for agreeing to continue extension options, and does not currently have other active leases with such an agreement.
- The City does not have a consistent policy to lease City-owned property to nonprofit organizations at below market rate rent.

Recommendations

- Amend the proposed resolution to (i) state that the lease consists of 14,229 square feet, (ii) delete language that the lease allows one more five-year extension option, and (iii) add that the proposed lease amendment extending the lease through September 30, 2023 is the final lease extension under the existing lease.
- Approve the proposed resolution as amended.

MANDATE STATEMENT

City Charter Section 9.118(c) states that any modification, amendment or termination of a lease that had an initial term of ten years or more, including options to extend, or that had anticipated revenues of $1 million or more is subject to Board of Supervisors approval.

BACKGROUND

The New Conservatory Theatre Center (NCTC), a California non-profit corporation, has been providing live entertainment from the lower level of 25 Van Ness Avenue since 1984. NCTC also provides educational theatrical experiences for youth, artists, LGBTQQI (lesbian, gay, bisexual, transgender, queer, questioning, intersex), and allied communities. 25 Van Ness Avenue is a building owned and operated by the City and County of San Francisco. The lower level of 25 Van Ness Avenue contains space that is designed for theatrical use and is ADA-compliant.

In November 2008, the Board of Supervisors approved a resolution authorizing the lease between the City, as landlord, and New Conservatory Theatre Center (NCTC), a California non-profit corporation, as tenant, of approximately 12,792 rentable square feet of space in the lower level of 25 Van Ness Avenue for NCTC's theaters, offices and educational operations (File 08-1273). The term of the lease was from December 1, 2008 through September 30, 2013 with two 5-year options for renewal.

The monthly base rent was $7,036 with no increases during the initial term. The rent was to increase by the Consumer Price Index (CPI) for a minimum of 3 percent and a maximum of 8 percent when each option to extend was exercised. The lease did not provide for further rent increases during the extension term.

Retroactive Approval of Prior Lease Extension

In January 2012, the Real Estate Division entered into a Letter of Agreement with NCTC to add 1,437 square feet to the existing 12,792 square feet of rental space, totaling 14,229 square feet. The Letter of Agreement increased the rent from $7,036 per month (equal to $0.55 per square foot for 12,792 square feet) to $7,826 per month (equal to $0.55 per square foot for 14,229 square feet).

The original lease term expired in September 2013. The lease was never amended to exercise the first five-year option to extend the lease through September 30, 2018. According to Ms. Claudia Gorham, Deputy Managing Director at the Real Estate Division, NCTC has continued to occupy the space under an agreement for a continued extension of the option exercise notice between the parties. The rent has remained unchanged at $0.55 per square foot since the beginning of the original lease in 2008.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves the lease amendment between the City, as landlord, and New Conservatory Theatre Center, a California non-profit corporation, as tenant, for theater, office, at 25 Van Ness, Lower Level.

Lease Term

The proposed amendment to the original lease (a) revises the lease expiration date from the current date stated in the lease of September 30, 2013, to the revised date of September 30, 2018; and (b) exercises the first extension option to extend the lease by five years from October 1, 2018 through September 30, 2023.

While the original lease provided for two five-year options to extend through September 30, 2018 and September 30, 2023 respectively, the City never formally exercised the first extension option but rather allowed NCTC to continue to occupy the space under an agreement for a continued extension of the option exercise notice between the parties, as noted above. In order to clarify that the lease extension in the proposed lease amendment from October 1, 2018 through September 30, 2023 corresponds to the second five-year extension option in Section 26.1 of the original lease, the proposed resolution should be amended to (a) delete language that the lease allows one more five-year extension options, and (b) add that the proposed lease amendment extending the lease through September 30, 2023 is the final lease extension under the existing lease.

Leased Space

According to the proposed resolution, the leased space consists of 12,792 square feet. Because the 2012 Letter of Agreement added 1,437 square feet to the leased space, the proposed resolution should be amended to state that the lease consists of 14,229 square feet.

Rent Increase

The proposed amendment increases the rent by 2 percent from $7,826 per month (or $0.55 per square foot for 14,229 square feet) to $7,983 per month (or $0.56 per square foot for 14,229 square feet). There are no further rent increases during the five-year extension term.

The terms of the current and amended lease at 25 Van Ness, Lower Level are summarized in Table 1 below.

Table 1. Terms of Current and Amended Lease at 25 Van Ness, Lower Level

	Current Lease	Amended Lease
Premises	25 Van Ness, Lower Level	25 Van Ness, Lower Level
Square Footage	12,792	14,229
Term	Expires September 2013	Extends the lease term retroactively to September 2018 Adds one five-year term to September 2023
Tenant Improvements	Not Applicable	Not Applicable
Monthly Base Rent	\$7,826	\$7,983
Annual Base Rent Increases	None	None
Utilities and Services, Property Taxes, and Operating Costs	City pays utilities and services[1] and property taxes. Tenant pays its own operating costs.	No change
Option to Extend	Two (2) five-year options	One (1) five-year option
Base Rent Increase on Exercise of Option	CPI of 3 – 8 percent	CPI of 2 – 4 percent

FISCAL IMPACT

The annual rent paid by NCTC to the City under the proposed lease amendment is \$95,796, which remains unchanged during the five-year lease extension. Total rent paid by NCTC to the City over the five-year term is \$478,980.

According to Ms. Gorham, the parties agreed to a new rent of \$7,983 per month (or \$95,796 per year) effective October 1, 2018, which is an increase of 2 percent (rather than the 3 to 8 percent provided in the original lease agreement) from the existing rent of \$7,826 per month, because of water intrusion prevention and repairs that have been made by the tenant.[2] As noted above, the existing rent of \$7,826 is based on \$0.55 per square foot, which has not increased in the ten years and nine months since NCTC entered into the original lease in January 2008.

According to Ms. Gorham, there are no other comparable non-profit theaters in similar City property. Ms. Gorham states that because few non-profit theater sites exist in San Francisco, the Real Estate Division was not able to compare the rent under the proposed lease

[1] According to Ms. Gorham, utilities for 25 Van Ness as a whole were estimated to be \$17,403.52 in 2017. Services (janitorial, monthly recology) were estimated to be \$33,060 in 2017.

[2] According to Ms. Gorham, there were water intrusion events and issues resulting from the proximity to Hayes Creek. Generally, the tenant replaced flood damaged carpet, paint, and put on a coating and absorbent, as well as waterproofed other areas of the space.

amendment to comparable properties. Per City Administrative Code Section 23.30,[3] an appraisal report is not required.

POLICY CONSIDERATION

After the original lease between the City and NCTC expired in September 2013, the Real Estate Division did not amend the lease to exercise the first five-year extension option but rather agreed to a continued extension of the option exercise notice. According to Ms. Gorham, the Real Estate Division does not have a specific policy for agreeing to continue extension options, and does not currently have other active leases with such an agreement.

The City does not have a consistent policy to lease City-owned property to nonprofit organizations at below market rate rent

The proposed extension to the lease between NCTC and the City for the theater and associated space is for $0.56 per square foot, which is likely below market rate although the Real Estate Division was not able to identify comparable leases. According to the Budget and Legislative Analyst's April 2017 performance audit of the City's Real Estate Division, a large number of City-owned properties are leased by non-profit organizations with varying lease terms and rents. Our review of existing leases found 17 non-profit leases that paid no or nominal rent, while another 11 non-profit leases paid rent ranging from $5,820 to $84,432 per year, depending on the size of the space. The City does not have standards on subsidizing the rents of non-profit organizations. The Budget and Legislative Analyst recommended in the audit that the Director of the Real Estate should recommend to the Board of Supervisors policies for non-profit leases of City properties, including criteria for setting rent at below market rate or waiving rent altogether. According to Ms. Gorham, the Real Estate Division has not implemented this recommendation. The Real Estate Division attempts to provide space to non-profits if the space is not needed for City departments, and has an unwritten practice to not unnecessarily displace an existing non-profit from a City-owned building.

RECOMMENDATIONS

1. Amend the proposed resolution to (i) state that the lease consists of 14,229 square feet, (ii) delete language that the lease allows one more five-year extension option, and (iii) add that the proposed lease amendment extending the lease through September 30, 2023 is the final lease extension under the existing lease.
2. Approve the proposed resolution as amended.

[3] Per City Administrative Code Section 23.30, third party appraisals of leases are not required if the rent is less than $45 per square foot, or if the use of the lease site furthers a "proper public purpose".

Item 8 **File 18-0827**	**Department:** Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution retroactively approves a new contract for behavioral health services for substance use disorder treatment, mental health residential treatment, and mental health outpatient treatment services for adults and older adults between the Department of Public Health (DPH) and Baker Places, Inc. in the not to exceed amount of $55,475,141 for a total contract term of four years from July 1, 2018, through June 30, 2022, with one six year option to extend.

Key Points

- Baker Places, Inc. had a prior contract with DPH for these services that expired on December 31, 2017. Because DPH and Baker Places would not be able to complete negotiations on the new contract prior to the expiration of the existing contract, DPH entered into an interim contract with the Baker Place to continue providing services from January 1, 2017 through September 30, 2018 in the amount of $9,999,074. According to the contract, the City's Office of Contract Administration approved the interim contract as a sole source contract per Administrative Code Section 21.42 in order to ensure continuity of services. The term of the interim contract and the term of the proposed new contract overlap for the three-month period of July 1, 2018 through September 30, 2018. According to the proposed resolution, the interim contract will terminate and be replaced by the new contract.

Fiscal Impact

- Under the proposed contract, Baker Places will support ten programs for an estimated annual budget of approximately $12,382,844. The four year budget of $55,475,141 is based on annual expenditures of approximately $12,382,844 and a 12 percent contingency.
- FY 2018-19 funding for the proposed contract comes from federal, state, General Fund monies, and client fees.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

The Department of Public Health (DPH) solicited for new behavioral health providers between August 2017 and October 2017 for the following services:

1. Substance use disorder treatment
2. Mental health residential treatment
3. Mental health outpatient programs for adult/older adults

Baker Place, Inc., which proposed services under these three Request for Proposals (RFP)/ Request for Qualifications (RFQ), was among the agencies selected to provide services under these RFP/RFQs.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution retroactively approves a new contract for substance use disorder treatment, mental health residential treatment, and mental health outpatient treatment for adults and older adults between DPH and Baker Places, Inc. in the not to exceed amount of $55,475,141 for a total contract term of July 1, 2018 through June 30, 2022, with one six year option to extend.

Interim Contract

Baker Places had a prior contract with DPH for these services that expired on December 31, 2017. Because DPH and Baker Places would not be able to complete negotiations on the new contract prior to the expiration of the existing contract, DPH entered into an interim contract to continue providing services from January 1, 2018, through September 30, 2018, in the amount of $9,999,074. According to the contract, the City's Office of Contract Administration approved the interim contract as a sole source contract per Administrative Code Section 21.42 in order to ensure continuity of services.

The term of the interim contract and the term of the proposed new contract overlap for the three-month period of July 1, 2018 through September 30, 2018. According to the proposed resolution, the interim contract will terminate and be replaced by the new contract.

Scope of Work under Proposed Contract

The scope of work under the proposed contract Baker Places will provide a variety of programs including:

- Mental Health Outpatient Programs for Adult/Older Adult System of Care: Programs providing individual and group counseling, case management, vocational programming, and crisis intervention to support the mental health and self-sufficiency of clients.
- Residential Treatment programs: A supportive housing, transitional housing, and crisis residential treatment services, that provide structured treatment for adults with mental health disorders. Treatment can include assessment, therapeutic or rehabilitative services, medication monitoring, plan development, and other services.
- Substance use disorder treatment programs: Programs aiming to reduce the impact of chemical dependency through residential treatment and/or detox.

FISCAL IMPACT

Under the proposed contract, Baker Places will support ten programs for an estimated annual budget of approximately $12,382,844, as shown in Table 1 below.

Table 1: Estimated Annual Budget for Proposed Baker Places Contract

Program	Annual Total
Assisted Independent Living Program	$1,611,348
Odyssey House	573,344
Grove Street House	1,312,028
Baker Street House	1,039,486
Robertson Place	908,470
Jo Ruffian Place	1,134,124
San Jose Place	950,336
Acceptance Place	723,006
Joe Healy Medical Detox	4,021,302
Whole Person Care	109,400
Total	**$12,382,844**

Source: DPH Contract with Baker Places

The four year budget of $55,475,141 is based on annual expenditures of approximately $12,382,844 and a 12 percent contingency, as shown in Table 2 below.

Table 2: Total Budget for Proposed Baker Places, Inc.

Fiscal Year	Amount
July 1, 2018 – June 30, 2019	$12,382,844
July 1, 2019 – June 30, 2020	12,382,844
July 1, 2020 – June 30, 2021	12,382,844
July 1, 2021 – June 30, 2022	12,382,844
Subtotal	**$49,531,376**
12% Contingency	5,943,765
Total	**$55,475,141**

FY 2018-19 funding for the proposed contract comes from federal, state, General Fund monies, and client fees as shown in Table 3 below.

Table 3: Sources of Funds for Proposed Baker Places Contract

Sources of Funds	FY 2018-19
Federal and California State Funds	
Federal mental health SDMC FFP	$2,289,440
State 1991 mental health realignment	1,867,882
Federal and California State Funds Subtotal	*$4,157,322*
San Francisco General Fund	$7,778,522
Patient/Client Fees	$447,000
Total Sources of Funds	**$12,382,844**

Source: Appendix B, Baker Places Contract

RECOMMENDATION

Approve the proposed resolution.

Item 9 **File 18-0828**	**Department:** Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution retroactively approves a new contract for mental health treatment and training services, mental health outpatient treatment, and Continuum of Care Reform Services between DPH and Seneca Center in the not to exceed amount of $40,538,404 for a total contract term of July 1, 2018 through June 30, 2022, with one six year option to extend.

Key Points

- Seneca Center had a prior contract with DPH for some of the services that expire on September 30, 2018. Because DPH and Seneca Center would not be able to complete negotiations on the new contract prior to the expiration of the existing contract, DPH entered into an interim contract with Seneca Center to continue providing services from July 1, 2017 through September 30, 2018 in the amount of $9,999,071. According to the contract, the City's Office of Contract Administration approved the interim contract as a sole source contract per Administrative Code Section 21.42 in order to ensure continuity of services. The term of the interim contract and the term of the proposed new contract overlap for the three-month period of July 1, 2018 through September 30, 2018. According to the proposed resolution, the interim contract will terminate and be replaced by the new contract.

Fiscal Impact

- Under the proposed contract, Seneca Center will support ten programs for an estimated annual budget of approximately $9,046,751. The four year budget, including a 12 percent contingency, is $40,529,444. The total budget in the contract and in the resolution is $40,538,404 due to a clerical error. Therefore the proposed resolution should be amended to state the actual contract budget of $40,529,444.
- FY 2018-19 funding for the proposed contract comes from federal, state and General Fund monies.

Recommendations

- Amend the proposed resolution to state the actual contract budget is not-to-exceed $40,529,444.
- Approve the proposed resolution as amended.

MANDATE STATEMENT

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

BACKGROUND

The Department of Public Health (DPH) solicited for new behavioral health providers between November 2016 and September 2017 for the following services:

1. Mental Health Outpatient Treatment Services (Children, Youth and Families)
2. Continuum of Care Reform Services (Behavioral Health Network for Foster Care Youth)
3. School based programs (MHSA)

Seneca Center, which proposed services under these three Request for Proposals (RFP)/ Request for Qualifications (RFQ), was among the agencies selected to provide services under these RFP/RFQs.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution retroactively approves a new contract for mental health treatment and training services, mental health outpatient treatment, and Continuum of Care Reform Services between DPH and Seneca Center in the not to exceed amount of $40,538,404 for a total contract term of July 1, 2018 through June 30, 2022, with one six year option to extend.

Interim Contract

Seneca Center had a prior contract with DPH for these services that expired on December 31, 2017. Because DPH and Seneca would not be able to complete negotiations on the new contract prior to the expiration of the existing contract, DPH entered into an interim contract to continue providing services from July 1, 2017, through September 30, 2018, in the amount of $9,999,071. According to the contract, the City's Office of Contract Administration approved the interim contract as a sole source contract per Administrative Code Section 21.42 in order to ensure continuity of services.

The term of the interim contract and the term of the proposed new contract overlap for the three-month period of July 1, 2018 through September 30, 2018. According to the proposed resolution, the interim contract will terminate and be replaced by the new contract.

Scope of Work under Proposed Contract

The scope of work under the proposed contract, Seneca Center will provide a variety of programs including:

1. (CYF) Mental Health Treatment Support & Training Services: Services to support individuals involved in the juvenile justice system through connecting youth with community based mental health services.
2. Mental Health Outpatient Treatment Services (Children, Youth and Families): Encompasses a wide variety of services including: therapeutic behavioral services, one-to-one behavioral intervention, case management, crisis intervention, dialectical behavioral therapy, family therapy, skills training, and medication support services. Populations these programs support include youth who have been involved in the juvenile justice system and youth ages 13-18 with full scope Medi-Cal who meet specific diagnostic requirements.
3. Continuum of Care Reform Services (Behavioral Health Network for Foster Care Youth): Behavioral Health Programs addressing the needs of foster youth; these can include mental health services, case management, crisis intervention, medication support services, crisis intervention, and rehabilitation services.

FISCAL IMPACT

Under the proposed contract, Seneca Center will support eleven programs for an estimated annual budget of approximately $9,046,751, as shown in Table 1 below.

Table 1: Estimated Annual Budget for Proposed Seneca Center Contract

Program	Annual Total
TBS	$665,590
Intensive therapeutic foster care	759,443
Short Term Connections	503,575
Long Term Connections-WRAP	5,219,437
School Based	457,995
Youth Transitional Services	216,614
AIIM Higher	491,224
DBT	485,213
Soar	144,217
Compass	103,423
Total	**$9,046,751**
Service Category	**Annual Total**
Continuum of Care Services	$6,428,455
CYF Mental Health Treatment Support & Training Services	491,244
Mental Health Outpatient treatment services	2,073,052
Total	**$9,046,751**

Source: Contract with Seneca Center

The four year budget is $40,529,444 as shown in Table 2 below.

Table 2: Total Budget for Proposed Seneca Center[1]

Fiscal Year	Amount
July 1, 2018 – June 30, 2019	$9,046,751
July 1, 2019 – June 30, 2020	9,046,751
July 1, 2020 – June 30, 2021	9,046,751
July 1, 2021 – June 30, 2021	9,046,751
Subtotal	**$36,187,004**
12% Contingency	4,342,440
Total	**$40,529,444**

The total budget in the contract and in the resolution is $40,538,404 due to a clerical error. Therefore the proposed resolution should be amended to state the actual contract budget of $40,529,444 shown in Table 2 above.

FY 2018-19 funding for the proposed contract comes from federal, state and General Fund monies, as shown in Table 3 below.

Table 3: Sources of Funds for Proposed Seneca Contract,

Sources of Funds	FY 2018-19
Federal and California State Funds	
Federal mental health SDMC FFP	$3,536,037
State MHSA	691,296
State CYF 2011 PRS-EPSDT	3,092,876
Federal and California State Funds Subtotal	*$7,320,209*
San Francisco General Fund Sources	$1,726,542
Total Sources of Funds	**$9,046,751**

Source: DPH

RECOMMENDATIONS

- Amend the proposed resolution to state the actual contract budget is not-to-exceed $40,529,444.
- Approve the proposed resolution as amended.

[1] The contract budget is $40,538,404 due to a clerical

Item 10 **File 18-0829**	**Department:** Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a new contract between the Department of Public Health and Health Right 360 for behavioral health services for Adults and Older Adults in an amount not to exceed $84,064,915 for a contract term of four years from July 1, 2018 through June 30, 2022.
- Neither the proposed resolution nor the proposed contract provide for options to renew. However, the RFPs for these services (RFP 8-2017 and RFP 26-2016) provided an option to extend by five years through June 30, 2027, for a total term of nine years. According to DPH staff, the intent was for the extension option to be included in the contract. Therefore, the proposed resolution should be amended to state that the contract may be amended to provide for one (1) five-year option to extend the contract through June 30, 2027.

Key Points

- The Department of Public Health (DPH) solicited for new behavioral health providers between March 2017 and August 2017 for the following services: (a) Mental Health Outpatient Programs for Adult/ Older Adult System of Care, and (b) Substance Use Disorder Treatment Services. Health Right 360, which proposed services under these two Requests for Proposals (RFPs), was one of 47 providers selected to provide services in response to these RFPs. In both cases Health Right 360 was an existing provider of the services under the previous solicitation in 2010.
- Health Right 360 had a prior contract with DPH for similar services that expired on December 31, 2017. Because DPH and Health Right 360 had not completed negotiations on the new contract when the prior contract expired, DPH entered into an interim contract with the Family Service Agency to continue providing services from January 1, 2018 through June 30, 2018 in the amount of $8,598,827. According to the contract, the City's Office of Contract Administration approved the interim contract as a sole source contract per Administrative Code Section 21.42. The term of the interim contract has expired.

Fiscal Impact

- Under the proposed new contract DPH will support 17 programs for a total annual budget of $18,764,490. The four year budget of $84,064,915 is based on annual expenditures of approximately $18,764,490 and a 12 percent contingency.
- Funding for the proposed contract comes from State MediCal waivers, State Realignment, and General Fund monies.

Recommendations

- Amended the proposed resolution to state that the contract may be amended to provide for one (1) five-year option to extend the contract through June 30, 2027.
- Approve the proposed resolution as amended.

MANDATE STATEMENT

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

BACKGROUND

The Department of Public Health (DPH) solicited for new behavioral health providers between March 2017 and August 2017 for the following services:

1. Mental Health Outpatient Programs for Adult/ Older Adult System of Care
2. Substance Use Disorder Treatment Services

Health Right 360, which proposed services under these two Requests for Proposals (RFPs), was one of 47 providers selected to provide services in response to these RFPs. In both cases Health Right 360 was an existing provider of the services under the previous solicitation in 2010.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new contract between the Department of Public Health and Health Right 360 for behavioral health services for Adults and Older Adults in an amount not to exceed $84,064,915 for a contract term of four years from July 1, 2018 through June 30, 2022.

Options to Renew

Neither the proposed resolution nor the proposed contract provide for options to renew. However, the RFPs for these services (RFP 8-2017 and RFP 26-2016) provided an option to extend by five years through June 30, 2027, for a total term of nine years. According to DPH staff, the intent was for the extension option to be included in the contract. Therefore, the proposed resolution should be amended to state that the contract may be amended to provide for one (1) five-year option to extend the contract through June 30, 2027.

Drug MediCal Organized Delivery System

In addition to the mental health outpatient and substance use disorder treatment services, the proposed contract includes services to be provided by Health Right 360 on a sole source basis. These services are part of the Drug MediCal Organized Delivery System pilot and include: Outpatient, Intensive Outpatient, Withdrawal Management, Residential, Perinatal Residential and Residential Stepdown Services. These sole source services were included in the proposed contract because Health Right 360 already has experience with Drug MediCal Organized Delivery System in other counties.

Interim Contract

Health Right 360 had a prior contract with DPH for similar services that expired on December 31, 2017. Because DPH and Health Right 360 had not completed negotiations on the new contract when the prior contract expired, DPH entered into an interim contract with the Family Service Agency to continue providing services from January 1, 2018 through June 30, 2018 in the amount of $8,598,827. According to the contract, the City's Office of Contract Administration approved the interim contract as a sole source contract per Administrative Code Section 21.42. The term of the interim contract has expired.

Programs under Proposed New Contract

According to the contract, Health Right 360 will provide a variety of services to DPH clients through 17 programs, services include:

- Residential Detoxification: short term residential stays of 5 to 90 days supported by withdrawal management (detoxification) therapy and related high intensity services.
- Residential Step-down Services: residential setting in which peers in recovery support each other's recovery while continuing treatment and related services, such as case management, to achieve treatment goals.
- Residential Perinatal Services: multi-services residential substance abuse treatment for pregnant and post-partum women.
- Transitional Residential: short term housing and substance abuse outpatient treatment services for transitioning nonviolent offenders who abuse substances.
- Harm Reduction Interventions: motivational enhancement therapy to build trust and engagement during the pre-contemplation and contemplation phases of treatment.
- Outpatient Drug Free Services (and Intensive OP Services): mental health services for clients stepping down from more intensive levels of care and clients maintaining stability in managing their behavioral health disorders. Services include individual and group counseling, relapse prevention, vocational and educational classes, social services, family reunification and legal counseling and urine surveillance as a tool when appropriate.
- TAY Prevention and Outreach: behavioral health assessments, individual and group therapy, self-care training, job readiness training, and crisis intervention for 18 to 24 year olds.
- Mental Health Services: individual and group therapy and interventions to reduce mental disability and improve functioning, including assessing clients, developing a plan for services, and providing therapy and other services to assist clients.
- Case Management: assisting clients to access medical, educational, social, vocational, rehabilitative, and other needed services.
- Housing Vouchers: Housing stabilization through paying rent for parolees that demonstrate need.

- HIV Screening and Testing: improve patient access to services and early detection of infectious diseases, primarily HIV through screening and testing at primary care medical sites.
- Preventative Primary Care: increase access to preventive health care services for uninsured women in San Francisco.
- ACA Outreach and Enrollment and Workforce Development: increase access to women's health services while providing community based workforce development and training with a focus on Western Addition residents.

FISCAL IMPACT

Under the proposed new contract DPH will support 17 programs for a total annual budget of $18,764,490, as shown in Table 1 below.

Table 1. Annual contract Budget

Program	Program Budget
Adult Residential	$ 8,847,061
Men's Recovery Residence and Women's Recovery Residence	2,134,171
Perinatal Residential	1,285,991
Adult Outpatient; African American Healing Center; Project ADAPT; Lee Woodward Counseling Center	2,124,437
Adult Intensive Outpatient	1,600,000
ADULT AB109 Residential	779,640
AB109 Recovery Residences	280,175
AB 109 Outpatient	25,202
IPO Healthy Changes	117,759
Project Adapt MH	183,292
Adult MH Outpatient	368,530
Bridges CM Outpatient Services	610,910
CDCR Bridges Housing Vouchers	126,860
Project Reconnect	117,500
Infectious Disease Treatment Program[1]	
Women's Community Clinic Community Based Reproductive Health Services	57,962
Western Addition Health Training Workforce Initiative	105,000
	$ 18,764,490

The four year budget of $84,064,915 is based on annual expenditures of approximately $18,764,490 and a 12 percent contingency, as shown in Table 2 below.

[1] There are no funds budgeted for this program because the Federal government stopped funding these activities with this funding source. The Department elected to continue the prevention services targeting drug users with General Fund, but because the broader program is managed by a different DPH section (HIV Prevention Section/CHEP) and not BHS, these funds were moved to that section, which is providing funding under a separate solicitation.

Table 2. Contract Budget

Term	Not to Exceed Amount
July 1, 2018 - June 30, 2019	$ 18,764,490
July 1, 2019 - June 30, 2020	18,764,490
July 1, 2020 - June 30, 2021	18,764,490
July 1, 2021 - June 30, 2022	18,764,490
Subtotal	**$ 75,057,960**
12% Contingency	9,006,955
Total	**$ 84,064,915**

Funding for the proposed contract comes from State MediCal waivers, State Realignment, and General Fund monies.

RECOMMENDATIONS

1. Amended the proposed resolution to state that the contract may be amended to provide for one (1) five-year option to extend the contract through June 30, 2027.
2. Approve the proposed resolution as amended.

Item 11 **File 18-0442**	**Department:** San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve Thomas Cook Airlines to become a signatory to the 2011 Lease and Use Agreement. The Airport anticipates the term of this agreement to be approximately 2 years and 10 months, from approximately August 1, 2018 following Board of Supervisors approval, and expiring June 30, 2021.

Key Points

- In 2011, the Airport entered into a Lease and Use Agreement ("2011 Lease") with 53 of the 60 airlines at the Airport for a term of 10 years, set to expire on June 30, 2021. The 2011 Lease allows airlines to provide flight operations and rent terminal space at the Airport and provides a common set of lease provisions for these airlines. The Airport offers the 2011 lease to airlines that wish to obtain signatory status at the airport.
- In November 2017, Thomas Cook Airlines met with Airport staff to discuss beginning operations at the San Francisco International Airport. Thomas Cook Airlines commenced operations at the Airport on March 13, 2018.

Fiscal Impact

- The Airport projects that Thomas Cook Airlines will pay approximately $76,308 per month in fees for the four months they operate this fiscal year, from July through October 2018, for a total of $305,232. The Airport cannot predict the future Joint Use fees to the Airport, and therefore cannot predict future payments from Thomas Cook Airlines.
- Airlines also pay Landing Fees to the Airport, which are set annually as part of the Airport Rates and Charges. The current Landing Fee for FY 2018-19 is $5.54 per 1,000 pounds for airlines that have signed the 2011 Lease.
- All funds are used for ongoing operations at the Airport.

Recommendation

- Approve the proposed resolution

MANDATE STATEMENT

City Charter Section 9.118(a) states that contracts entered into by a department, board, or commission that (i) have anticipated revenues of $1 million or more, or (ii) have anticipated revenues of $1 million or more and require modifications, are subject to Board of Supervisors approval.

BACKGROUND

In 2011, the Airport entered into a Lease and Use Agreement ("2011 Lease") with 53 of the 60 airlines[1] at the Airport for a term of 10 years, set to expire on June 30, 2021. The 2011 Lease allows airlines to provide flight operations and rent terminal space at the Airport and provides a common set of lease provisions for these airlines. Such provisions include rent and landing fees paid by the airlines to the Airport, permitted uses of the premises, use of common facilities, and numerous other provisions. The Airport offers the 2011 lease to airlines that wish to obtain signatory status at the airport.

In November 2017, Thomas Cook Airlines met with Airport staff to discuss beginning operations at the San Francisco International Airport. Thomas Cook Airlines commenced operations at the Airport on March 13, 2018, and the Airport Commission approved adding Thomas Cook Airlines to the 2011 Lease and Use Agreement on March 20, 2018.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Thomas Cook Airlines to become a signatory to the 2011 Lease and Use Agreement. Thomas Cook Airlines will not lease any exclusive space, and will share 627,414 square feet of joint use space at the International Terminal. The Airport anticipates the term of this agreement to be approximately 2 years and 10 months, from approximately August 1, 2018 following Board of Supervisors approval, and expiring June 30, 2021.

The key provisions of the proposed lease are shown in Table 1 below.

[1] Among the seven airlines not signatory to the Lease and Use Agreement, six airlines do not operate at the San Francisco International Airport. A resolution approving adding the seventh, Air India, as a signatory (File 17-1081) is pending before the Board of Supervisors.

Table 1: Key Provisions of Proposed Lease

	Lease Terms
Lease Period	Upon approval Board of Supervisors through June 30, 2021
Options to extend the lease	None
Joint Use Space Rent	Based on International Seasonal Service and Charter Fee (see Fiscal Impact Section below)
Landing fees and other fees	Based on fees set by the Airport Summary of Charges for signatory airlines
Annual fee adjustments	Approved annually by the Airport Commission in the Summary of Charges
Termination	June 30, 2021

FISCAL IMPACT

Although Thomas Cook Airlines will exclusively use Joint Use Space, they will not be subject to the Joint Use Formula[2] due to their seasonal operation. According to Ms. Diana Artz, Senior Property Manager at the Airport, seasonal airlines are any airlines that do not operate the full twelve months. Thomas Cook Airlines will instead pay the International Seasonal Service and Charter Fee. The International Seasonal Service and Charter Fee is equal to the total international Joint Use charges divided by the total passengers (inbound and outbound) for the scheduled international carriers in effect at the time of the activity. The International Seasonal Service and Charter Fee for FY 2018-19 is $10.04 per inbound and outbound passenger.

The Airport projects that Thomas Cook Airlines will pay approximately $76,308 per month in fees for the four months they operate this fiscal year, from July through October 2018, for a total of $305,232. According to Ms. Artz, the Airport cannot predict the future Joint Use fees to the Airport, and therefore cannot predict future payments from Thomas Cook Airlines.

Airlines also pay Landing Fees to the Airport, which are set annually as part of the Airport Rates and Charges. The current Landing Fee for FY 2018-19 is $5.54 per 1,000 pounds for airlines that have signed the 2011 Lease.

All funds are used for ongoing operations at the Airport.

RECOMMENDATION

Approve the proposed resolution

[2] Joint Use Space rent is determined annually by a formula, with 20 percent of the total rent assessed equally to all airlines, and 80 percent assessed proportionally based on the number of inbound and outbound passengers traveling on each airline each year. The Joint Use Space Formula is used to determine rent for all airlines in service at the Airport, regardless of whether or not the airline has signed onto the 2011 Lease.

Item 12 **File 17-0297**	**Department:** Office of Labor Standards Enforcement

This item was continued from the September 13, 2018 Budget & Finance Meeting

EXECUTIVE SUMMARY

Legislative Objectives

- **File 17-0297** is an ordinance amending Administrative Code Section 12P to (1) set the minimum hourly compensation rate for employees of City contractors, other than nonprofit corporations or public entities, at $17.00 per hour and to provide for annual cost of living increases; and (2) to increase the minimum hourly compensation rate for employees under contracts with nonprofit corporations and public entities to minimum wage.

Key Points

- The City's Minimum Compensation Ordinance requires City contractors to pay their covered employees no less than the minimum hourly compensation rate and provide 12 days of paid time off each year. The proposed ordinance would increase the minimum compensation to $17 per hour, or $2.00 per hour more than the minimum wage in FY 2018-19 of $15 per hour, for employees of for-profit businesses that have contracts and leases with the City. The increase in minimum compensation would go into effect on November 3, 2018, or on approval of the ordinance, whichever is later. In future years, the minimum compensation rate would increase on July 1 by the Consumer Price Index (CPI).
- The proposed ordinance clarifies that employees of nonprofit organizations, including In-Home Supportive Service (IHSS) employees, are covered by the San Francisco minimum wage set by Administrative Code Section 12R.4, which is $15 per hour as of July 1, 2108.

Fiscal Impact

- The increase in the minimum compensation to employees of City contractors and leaseholders could increase the costs of City contracts or reduce revenues from leases if these costs were passed through to the City when contracts and leases are amended or renewed. However, whether such costs would be passed through or the potential amount of the passed-through costs is not known.

Recommendation

- Approval of the proposed ordinance as amended is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 2.105 states that the Board of Supervisors shall act only by written ordinance or resolution.

Administrative Code Section 12P, known as the "Minimum Compensation Ordinance", requires City contractors to pay minimum compensation to employees.

BACKGROUND

The City currently has a Minimum Compensation Ordinance that requires City contractors to provide their covered employees with no less than the minimum hourly compensation rate. The Minimum Compensation Ordinance was adopted by the Board of Supervisors in August 2000 and covers City contracts with nonprofit corporations, public entities and for-profit companies. Covered contracts include: professional services, construction, grants, Airport leases (including concession leases), and subcontracts.

The Minimum Compensation Ordinance requires covered contractors to:

- Pay a minimum wage to all covered employees[1] who work at least 4 hours per week; and
- Provide 12 days of paid holidays and other leave per year if the employee works full time for one year.

The Minimum Compensation Ordinance set the original minimum wage at $9 per hour, increasing by 2.5 percent per year through 2005. The Board of Supervisors amended the Minimum Compensation Ordinance in 2007 to require annual Consumer Price Index (CPI) adjustments to the minimum wage on January 1 of each year. The minimum wage required by the Minimum Compensation Ordinance as of July 1, 2018 is $15.00 per hour, which is the same as the San Francisco minimum wage required of all employers located in San Francisco.[2]

While employees of nonprofit organizations and public entities are covered by the Minimum Compensation Ordinance, the Minimum Compensation Ordinance states that the City will fund wage increases to contracts with nonprofit organizations and public entities only if "sufficient funds" are available. According to the Minimum Compensation Ordinance, a finding of "sufficient funds" shall mean that the City will not be required to reduce services in order to pay the wage increase. The minimum wage for employees of nonprofit organizations and public entities having contracts with the City is currently $14 per hour, consistent with the minimum wage for all employees of San Francisco businesses.

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[1] Exempted employees include summer interns and participants in after-school programs, trainees and disabled workers as defined by federal regulations, and volunteers

[2] The minimum wage required by the MCO applies only to employees of City contractors, as defined by Administrative Code Section 12P. In addition, San Francisco voters approved a minimum wage that applies to all San Francisco employers. In November 2014, the voters approved Proposition J, raising the San Francisco minimum wage to $15 per hour by 2018.

DETAILS OF PROPOSED LEGISLATION

File 17-0297 is an ordinance amending Administrative Code Section 12P to (1) set the minimum hourly compensation rate for employees of City contractors, other than nonprofit corporations or public entities, at $17.00 per hour and to provide for annual cost of living increases; and (2) to increase the minimum hourly compensation rate for employees under contracts with nonprofit corporations and public entities to minimum wage.

The proposed ordinance would increase the minimum compensation to $17 per hour, or $2.00 per hour more than the minimum wage in FY 2018-19 of $15 per hour, for employees of for-profit businesses that have contracts and leases with the City. The increase in minimum compensation would go into effect on November 3, 2018, or on approval of the ordinance, whichever is later. In future years, the minimum compensation rate would increase on July 1 by the Consumer Price Index (CPI).

The proposed ordinance clarifies that employees of nonprofit organizations, including In-Home Supportive Service (IHSS) employees, are covered by the San Francisco minimum wage set by Administrative Code Section 12R.4, which is $15 per hour as of July 1, 2108.

Other Provisions

The proposed ordinance would remove the requirement that employees covered by the Minimum Compensation Ordinance work a minimum of 4 hours per week. All employees working on a City contract would be covered by the MCO regardless of the hours worked.[3]

FISCAL IMPACT

The increase in the minimum compensation to employees of City contractors and leaseholders could increase the costs of City contracts or reduce revenues from leases if these costs were passed through to the City when contracts and leases are amended or renewed. However, whether such costs would be passed through or the potential amount of the passed-through costs is not known.

RECOMMENDATION

Approval of the proposed ordinance as amended is a policy matter for the Board of Supervisors.

[3] Currently, employees working on a City contract but located in the United States outside of City-owned property must work a minimum of 10 hours per week to be covered by the MCO. The proposed legislation removes this provision so that all employees working on a City contract, regardless of the number of hours worked, would be covered by the MCO.