

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: February 11, 2026 Budget and Finance Committee Meeting

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Item 2
File 26-0017

Department: Real Estate Division (RED).
Retirement Services (RET)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize a lease with Double Wood Investment, Inc., as landlord for approximately 47,482 square feet of office space at 111 Pine Street, for a ten-year term with two five-year extension options. The initial annual base rent would be \$2,089,208 with three percent annual escalation.

Key Points

- The Retirement System (RET) has leased office space at 1145 Market Street since 2013. There are currently two leases in place at 1145 Market Street totaling 37,098 square feet to accommodate all RET staff and service providers. RET states the leased premises at 1145 Market Street were designed for a headcount of 97 and are at full capacity with 126 filled positions currently occupying the space. Consequently, the premises would not be able to accommodate the budgeted headcount of 158 and five additional counselors. The proposed lease would allow for approximately 300 square feet per budgeted staff, which is roughly the same as the 294 square feet per actual worker at 1145 Market space.
- Under the proposed lease, the landlord will pay for \$100 per square foot towards tenant improvements for a total of \$4,748,200. RET will fund a match of \$4,748,200. The tenant improvements will be completed by the landlord and may include buildouts for a variety of shared and multi-purpose spaces. Improvements are anticipated to be substantially completed in August 2026, with lease commencement in September 2026.

Fiscal Impact

- Over the initial 10-year term, RET would pay \$21,713,000 in total rent, which includes a rent credit of 12 months and three percent annual rent increases. The proposed lease would have an initial annual rent of \$2,089,208 (\$44 per square foot). The initial rent rate of \$44/square foot is 12 percent less than the RET's current office rent of \$50.05/square foot, however the proposed rent of \$2,089,208 is more than current rent of \$1,867,169 because it is a larger space.
- Total costs, including tenant improvements, would be fully funded from RET's assets of the Defined Benefit Trust Fund and the SF Deferred Compensation Plan recordkeeper reimbursement.

Policy Consideration

- The lease terms are similar to a Civic Center lease at 1455 Market Street, where the City has an option to rent additional floors. The relocation to 111 Pine Street would accommodate RET's geographic preference to relocate to the Financial District to be closer to financial service vendors but is also well served by public transportation. RED and RET toured and evaluated a total of 20 buildings, which included 1455 Market Street, but preferred the downtown location.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter 9.118(c) states that any lease, 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 San Francisco Employees' Retirement System (RET) has leased office space at 1145 Market Street since 2013. There are currently two leases in place at 1145 Market Street totaling 37,098 square feet to accommodate all RET staff and service providers: (1) a lease commencing in August 2014 for 35,388 square feet¹ of office space with existing rent \$50.05 per square foot per year that expired and put on holdover status in July 2024, and (2) a month-to-month lease commencing in November 2021 for 1,710 square feet (Suite 650 adjacent to the aforementioned lease's premises) with existing rent of \$56.14 per square foot per year. According to RET, the leased premises at 1145 Market Street were designed for a headcount of 97 and are at full capacity with 126 filled RET positions currently occupying the space.² RET states that the 1145 Market Street premises would not be able to accommodate the budgeted headcount of 158 and five additional SF Deferred Compensation Plan (SFDCP) counselors, as further discussed below. Consequently, this proposed lease at 111 Pine Street is now being considered by the Board of Supervisors for approval to relocate all RET staff and service providers to this new location.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Director of Property, on behalf of RET, to execute a lease with Double Wood Investment, Inc., as landlord for approximately 47,482 square feet of office space at 111 Pine Street, for a ten-year term with two five-year extension options. The initial annual base rent would be \$2,089,208 with three percent annual escalation. The proposed resolution would also authorize the Director of Property to make further immaterial amendments to the lease.

The new lease agreement would commence 30 days upon substantial completion of tenant improvements. RED anticipates substantial completion in August 2026 and lease commencement in September 2026.

Exhibit 1 below summarizes the terms and conditions of the lease provisions.

¹ The lease also includes approximately 191 square feet of bicycle space on the 1st floor. The leased premises include the entire 5th floor, a portion of the 6th floor and the entire 7th floor, in addition to the bicycle space.

² According to RET, the department accommodated the existing staff of 126 filled positions (in a space designed for a headcount of 97) by entering the second lease at 1145 Market Street for 1,710 square feet in 2021 and repurposing space, such as using member counseling rooms as offices, converting a space for a copier into a cubicle, etc.

Exhibit 1. Summary of Proposed Lease

	Proposed Lease
Premises	47,482 square feet on Floors 8, 9, 10, and 11, 111 Pine Street in San Francisco
Initial Annual Base Rent	\$2,089,208 (\$44 per square foot)
Rent Credit	Rent credit totaling \$2,237,428 and equal to 12 months (Months 1-4, 13-16, 25-26, and 119-120)
Rent Escalation	3% annually Rent resets to market rate at each lease term extension
Utilities and Services	Landlord pays all utilities and services
Term	10 years from the commencement date. Lease will commence 30 days upon substantial completion of tenant improvements.
Options to extend	Two five-year options to extend
Tenant Improvements	Landlord will pay \$100 per square foot towards tenant improvements for a total of \$4,748,200. RET will fund a match of \$4,748,200. Improvements may include buildouts for a multi-purpose space for meetings, member services meeting and counseling spaces, additional conference rooms, and space for training and team meetings.
Operating Costs	City pays percentage share of increase in operating costs over base year (2026). Operating costs include heat, water, HVAC, janitorial services, and security.
City's Percentage Share of Building Operating Costs	21.82 percent

Source: Proposed Lease Agreement

Site Usage

As previously mentioned, a total of 126 existing filled RET positions, which encompass all RET staff, will move from 1145 Market Street to 111 Pine Street. According to RET, the relocation is needed to adequately accommodate RET's 158 budgeted positions and five San Francisco Deferred Compensation Plan counselors, as well as space for public and stakeholder meetings. The proposed 111 Pine Street location (47,482 square feet) is 21.9 percent larger than the total 1145 Market Street leased premises (37,098). The proposed lease would allow for approximately 300 square feet per budgeted staff, which is roughly the same as the 294 square feet per actual worker at 1145 Market space. The calculation does not take into account shared space, such as conference rooms.

As previously mentioned, RED anticipates substantial completion of tenant improvements at 111 Pine Street in August 2026. According to RED, the City is obligated to give 30 days' notice to the landlord at 1145 Market Street to terminate the holdover leases and will cease paying rent at this location 30 days after providing notice. RED states that there are currently no confirmed plans

for City usage of the vacated space at 1145 Market Street, though the Department of Public Health has expressed interest given relocation of some staff at this location.

Utilities, Services and Percentage Share

Under the proposed lease, the landlord is responsible for all utilities and services, such as janitorial support, elevators, HVAC, and building security. RET would pay its percentage share (21.82 percent) of the increase in the building's utilities and operating expenses over the base year. The base year would be calendar year 2026, so RET would begin paying operating costs in 2027. RED estimates the projected monthly operating costs would be approximately \$3,664.

Base Rent Determination

An appraisal conducted by Colliers International in August 2025 has determined that the proposed initial rent of \$44 per square foot is at or below fair market rent. An appraisal was not required under Administrative Code Section 23.27 because the proposed rent is less than \$45 per square foot. The base rent will be escalated by three percent annually.

Tenant Improvements

Under the proposed lease, the landlord will pay for \$100 per square foot towards tenant improvements for a total of \$4,748,200. RET will fund a match of \$4,748,200. RED states that the \$9,496,400 tenant improvement cost estimates were based on a rough order of magnitude estimate developed by an architect and construction management firm. The tenant improvements will be completed by the landlord. According to RED, the scope of improvements has not been finalized but may include buildouts for a multi-purpose space for public and internal meetings, member services meeting and counseling spaces, additional conference rooms, and space for training and team meetings. As previously mentioned, tenant improvements are anticipated to be substantially completed in August 2026.

FISCAL IMPACT

As shown in Exhibit 2 below, over the initial 10-year term, RET would pay \$21,713,000 in total rent, which includes the rent credit of 12 months³ (totaling \$2,237,428) and three percent annual rent increases. If an option to extend the term is exercised, the rent for the extended term would be set at fair market rent at that time.

³ The first four months of the term, as well as months 1-4, 13-16, 25-26, and 119-120 (12 months total) will be rent-free.

Exhibit 2. Total Rent by Year Under Proposed RET Lease

Lease Year	Annual Rent	Monthly Rent	Annual Rent per Square Foot
Year 1	\$2,089,208	\$174,101	\$44.00
Year 2	2,151,884	179,324	45.32
Year 3	2,216,441	184,703	46.68
Year 4	2,282,934	190,244	48.08
Year 5	2,351,422	195,952	49.52
Year 6	2,421,965	201,830	51.01
Year 7	2,494,624	207,885	52.54
Year 8	2,569,462	214,122	54.11
Year 9	2,646,546	220,546	55.74
Year 10	2,725,943	227,162	57.41
Rent Credit	(2,237,428)		
Total	\$21,713,000		

Source: Proposed Lease Agreement

The proposed lease would have an initial annual rent of \$2,089,208 (\$44 per square foot), with three percent annual escalation. The initial rent rate of \$44/square foot is 12 percent less than the RET's current office rent of \$50.05/square foot, however the proposed rent of \$2,089,208 is more than current rent of \$1,867,169 because it is a larger space.

Costs, including tenant improvements, would be fully funded from RET's assets of the Defined Benefit Trust Fund and the SF Deferred Compensation Plan recordkeeper reimbursement.⁴

POLICY CONSIDERATION

The proposed lease relocates Retirement staff from Civic Center to the Financial District at a lower rent rate than it is currently paying. The lease terms are similar to a Civic Center lease at 1455 Market Street, where the City has an option to rent additional floors. According to Real Estate staff, 1455 Market and other City space were not suitable for Retirement staff because of RET's geographic preference to relocate to the Financial District to be closer to financial service vendors. In addition, RED states 111 Pine Street's proximity near multiple transit lines provides convenient and accessible service to retirees, active members, and others. According to RED, both RED and RET toured and evaluated a total of 20 buildings, which included 1455 Market Street, but preferred a downtown location.

⁴ All Deferred Compensation Plan administrative expenses are funded through participant-paid administrative fees collected by the third-party recordkeeper

RECOMMENDATION

Approve the proposed resolution.

Item 5 File 26-0085	Department: San Francisco Municipal Transportation Agency (SFMTA)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed ordinance would appropriate \$311,269 from the General Reserve to the Municipal Transportation Agency (MTA) to subsidize free parking at Portsmouth Square Parking Garage and free Muni service for the 2026 Chinese New Year celebrations. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> The 2026 celebrations are scheduled from February 17 to March 15, with key events centered around Chinatown, including an opening ceremony, parade, community street fair, and a Lunar New Year run. These activities are expected to draw large crowds to the Chinatown area. Free one-hour parking would be offered at Portsmouth Square Parking Garage from February 8 to March 8, 2026, and transit fare relief for Muni buses and light rail vehicles (excluding cable cars) would apply on March 7, 2026. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The ordinance appropriates \$311,269 from the General Reserve, which has a current balance of approximately \$160.8 million. Under City policy, any funds used from the General Reserve must be replenished in the following fiscal year. MTA estimates that free parking for one-month at Portsmouth Square Parking Garage would cost \$150,000 and free Muni service for the day of the Lunar New Year Parade would cost \$161,269, totaling \$311,269. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approval of the proposed ordinance is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

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

BACKGROUND**Lunar New Year Parade**

The 2026 Chinese New Year celebrations in San Francisco are scheduled from February 17 to March 15. Key events include the Chinese New Year Opening Ceremony on February 17, 2026, the Lunar New Year Parade on March 7, 2026, Community Street Fair on March 7th and 8th, and the Chinatown Lunar New Year Run on March 15, 2026. These events are expected to attract large crowds to Chinatown and surrounding areas.

In previous years, the General Fund subsidized parking at the Portsmouth Square Parking Garage during February, as well as transit fares and community ambassadors on the day of the parade, to facilitate community involvement in these events.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$311,269 from the General Reserve to the Municipal Transportation Agency (MTA) Operating Fund. The purpose of the funding is to: (1) subsidize free one-hour parking at the Portsmouth Square Parking Garage from February 8 through March 8, 2026, and (2) subsidize Citywide free transit on March 7, 2026. The proposed resolution states February 7 through March 7, 2026 for free one-hour parking; however, MTA states that these dates will be revised to be February 8 through March 8, 2026.

The proposed appropriation of \$311,269 from the General Reserve is less than the appropriation of \$526,000 approved by the Board of Supervisors in February 2025 for the 2025 Chinese New Year celebrations, which subsidized free two-hour parking (rather than one-hour parking) and citywide free transit for two days (rather than one day) (File 25-0041).

Subsidized Free Parking at Portsmouth Square Parking Garage

Between February 8 and March 8, 2026, visitors to Portsmouth Square Parking Garage, near the end of the Chinese New Year Parade route, would receive up to one hour of free parking per transient parking ticket. This subsidy aims to improve access to Chinatown during Lunar New Year activities.

According to MTA, the City's prior two-hour free parking program at Portsmouth Square Garage from January 28 to February 28, 2025, resulted in foregone revenue totaling \$25,008 for one-hour parking and \$218,464 for two-hour parking. By applying a 50 percent adjustment to the two-hour figure to reflect the proposed one-hour program, adding the one-hour amount, and

rounding up, MTA estimates the total cost of one-hour free parking between February 8 and March 8, 2026 to be \$150,000, although actual costs could vary if garage usage differs.

Transit Fare Relief

During the day of the Lunar New Year Parade on March 7, 2026, transit fare relief would be offered for all Muni buses and light rail vehicles, excluding cable cars. According to MTA, the foregone revenue estimate of \$161,269 is based on February 2025 single-ride revenue data, adjusted by an approximately one percent ridership increase and four percent fare increase. In February 2025, MTA reported average daily single-ride revenue of approximately \$153,484, which, after applying projected ridership and fare escalations for Fiscal Year 2026, results in the one-day total of \$161,269.

FISCAL IMPACT

The ordinance would appropriate \$311,269 from the General Reserve to the Municipal Transportation Agency.

MTA has estimated that free one-hour parking for the month and free Muni fares for the day of the Lunar New Year Parade on March 7, 2026 would total approximately \$311,269. These costs are summarized below in Exhibit 1.

Exhibit 1: Lunar New Year Transportation-Related Costs

Cost Component	Estimated Cost
Free Parking (Month)	\$150,000
Transit Fare Relief (March 7, 2026)	161,269
Total Estimated Costs	\$311,269

Source: MTA

General Reserve

The General Reserve balance for the current fiscal year is approximately \$160.8 million. The proposed \$311,269 appropriation from the General Reserve (as well as a proposed appropriation ordinance of \$4,150,000¹ currently pending Board of Supervisors' approval) would reduce that balance accordingly, and any amounts used from the General Reserve in the current fiscal year must be replenished in the following fiscal year pursuant to the City's reserve policies.

RECOMMENDATION

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

¹ The proposed ordinance would appropriate \$4,000,000 from the General City Reserve to the Department of Emergency Management (DEM) for expanded street conditions staffing, and \$150,000 from the General City Reserve to the Human Rights Commission (HRC) for community initiatives in FY 2025-2026 (File 25-1249)

Item 6 File 26-0089	Department: San Francisco Municipal Transportation Agency (SFMTA).
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution would approve the tenth amendment to the Paratransit Broker and Operating Agreement with Transdev Services, Inc., (Transdev) to (1) extend the term by two years for a total term of twelve years from July 1, 2016 to June 30, 2028, and (2) increase the not to exceed amount of the agreement by \$30,831,549, from \$308,271,023 to \$339,102,572. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> Under an existing contract with the SFMTA, Transdev manages SF Paratransit, which is a van and taxi program for people with disabilities and seniors. Transdev subcontracts with taxi and group van companies and also provides some transportation services directly. The existing contract has a ten-year term and expires in June 2026. Under the proposed amendment, Transdev will continue to provide eligibility determination, customer outreach and service, client database and IT system management, program administration, subcontractor management for group vans and taxi services, and 24/7 operation of paratransit services. Paratransit ridership declined during the pandemic and remains below pre-pandemic levels. However, ridership has rebounded steadily in the post-pandemic period, with an average annual growth of 11 percent indicating a gradual recovery in demand for services. According to the June 2025 monthly report, Transdev met customer operating standards and performance goals for FY 2024-25. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The proposed amendment would increase the contract amount by \$30,831,549, for a total not to exceed \$339,102,572. Under the contract's "cost-plus-fixed-fee" model, SFMTA reimburses Transdev for actual expenditures and pays a fixed fee for management and overhead. The proposed FY 2026-27 budget is approximately \$31.2 million. The two-year extension would be funded by local (73 percent), state (10 percent), and federal (17 percent) sources, including approximately 45 percent from Proposition L sales tax revenues and 18 percent from the SFMTA operating budget. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> The proposed 12-year term extends beyond the 10-year term advertised in the 2015 Request for Proposals to allow additional time to evaluate cost-saving strategies and avoid disrupting ongoing technology upgrades and pilot programs. SFMTA plans to issue a competitive solicitation in Spring or Winter 2027. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed resolution. 	

MANDATE STATEMENT

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

BACKGROUND

The San Francisco Municipal Transportation Agency (SFMTA) administers SF Paratransit, which is a van and taxi program for individuals unable to independently use or access public transit because of a disability or disabling health condition.¹ SFMTA contracts with a Paratransit Broker to manage the service, and the Paratransit Broker contracts with van and taxi companies to provide transportation to eligible users.

Transdev Services Inc.

Since 2010, SFMTA has contracted with Transdev Services Inc.² (Transdev) as its Paratransit Broker. Transdev is an international private sector company that operates and manages transportation networks including bus, commuter rail, and light rail in cities throughout the world.

Contract History

In July 2016, the Board of Supervisors approved a new contract between Transdev and SFMTA for a five-year term with a five-year extension option and total amount of \$142,902,104 to provide paratransit brokerage and transportation services, following a competitive bid process where Transdev was the sole respondent (File 16-0487). The contract has been amended nine times, as shown in Exhibit 1 below. Eight of the nine amendments did not require Board of Supervisors' approval because the total amount and term remained unchanged. However, the sixth amendment, which increased the contract amount by \$165,368,919 to a total of \$308,271,023 and exercised the option to extend the term by five years, required Board approval (File 21-0364).

¹ Since 1990, the Americans with Disabilities Act (ADA) has required all public transit agencies to provide paratransit services to eligible people with disabilities.

² Prior to 2014, Transdev was called "Veolia Transportation Services, Inc."

Exhibit 1: Previous Contract Amendments

No.	Date	NTE	Term End	Description
Orig.	Jul 2016	\$142,902,104	6/30/2021	Original agreement. Five-year extension option.
1	Apr 2017	No change	No change	Deleted Section 10.8 (Health Care Accountability Ordinance); added clauses inadvertently omitted from Appendix D; and corrected Exhibit E by retitling it as Appendix E and updating the Small Business Enterprise goal. ³
2	May 2017	No change	No change	Authorized the City to lease 22 additional accessible minivans and 27 additional paratransit vans to Transdev for use in the SF Access Program, and removed provisions related to mandatory subleasing and lease payments.
3	June 2017	No change	No change	Amended Appendix B to reflect budget adjustments associated with increased Group Van service levels, with no change to the contract's not-to-exceed amount.
4	May 2019	No change	No change	Authorized the City to lease eight additional paratransit vans and 10 hybrid sedans to Transdev for use in the SF Access and Group Van programs.
5	Feb 2020	No change	No change	Authorized the City to lease 35 additional paratransit vans to Transdev for use in the SF Access and Group Van programs.
6	June 2021	\$308,271,023	6/30/2026	Exercised the five-year option to extend the term and increased the not-to-exceed amount by \$169,395,342 (File 21-0364).
7	Apr 2022	No change	No change	Authorized the City to lease 22 additional paratransit vans to Transdev for use in the SF Access and Group Van programs.
8	Jan 2024	No change	No change	Authorized the City to lease seven additional paratransit vans to Transdev for use in the SF Access and Group Van programs.
9	Dec 2025	No change	No change	Authorized the City to lease 65 additional paratransit vans to Transdev for use in the SF Access and Group Van programs.
10	Proposed	\$339,102,572	6/30/2028	Proposed amendment would extend the term by two years, increase the not-to-exceed amount by \$30,831,549 and revise Appendix B of the contract, as well as General and Administrative and Management Fee rates.

Source: Contract Amendments and MTA memo

³ According to the First Amendment, the agreement is exempt from the Health Care Accountability Ordinance because the agreement receives federal grants, and under Administrative Code Section 12Q.2.4(10) agreements that are funded both by grant funds and non-grant funds are exempt if the grant and non-grant expenditures cannot be segregated.

Controller's Certification

Historically, the services have been certified by the Controller's Office and approved by the Board of Supervisors as work that can be contracted out at a lower cost than similar work performed by City employees (per requirements under City Charter Section 10.104.15). In April 2024, the Controller's Office determined these services met Charter requirements. In June 2024, the Board of Supervisors approved a resolution concurring with the Controller's certification allowing the SFMTA to contract with private companies for paratransit services (File 24-0460).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the tenth amendment to the Paratransit Broker and Operating Agreement with Transdev Services, Inc., (Transdev) to (1) extend the term by two years for a total term of twelve years from July 1, 2016 to June 30, 2028, and (2) increase the not to exceed amount of the agreement by \$30,831,549, from \$308,271,023 to \$339,102,572.

Services

Under the proposed amendment, Transdev will continue providing the following services: (1) determining clients' eligibility for paratransit transportation services, (2) outreach and customer service to paratransit clients, (3) maintaining the client database, debit card system, website, and other information technology services, (4) managing paratransit vehicles and paratransit program staff and budget, (5) subcontracting with group van and taxi providers and managing subcontracted services, and (6) directly managing door-to-door, shared ride, wheelchair accessible, and other transportation services on a 24-hour per day, seven-day per week schedule.

Paratransit services for both ADA-eligible⁴ and non-ADA eligible clients⁵ are provided through the following programs and are primarily within the City:

- **SF Access:** Prescheduled, door-to-door shared van service for ADA-eligible clients;
- **Group Van:** Prescheduled, door-to-door van service for groups of ADA-eligible clients traveling to or from the same location (such as adult day health centers) on designated days;
- **Paratransit Taxi Service:** Same-day, on-demand trips for ADA-eligible clients using San Francisco taxis with subsidized fares via a monthly prepaid debit card;
- **Essential Trip Card:** Provides non-ADA eligible clients with a monthly prepaid debit card that subsidizes taxi trips for essential travel (e.g., grocery stores, pharmacy);
- **Shop-a-Round:** Prescheduled shared van and on-demand taxi trips to grocery stores for non-ADA eligible clients; and
- **Van Gogh:** Prescheduled shared group van trips to social and cultural destinations for both non-ADA and ADA-eligible clients

⁴ ADA clients are riders who are certified eligible under the American Disabilities Act (ADA)

⁵ Non-ADA eligible clients are riders who do not qualify for ADA paratransit but still have difficulty using fixed-route transit due to age or disability.

Transportation Subcontractors

According to SFMTA, Transdev currently manages 17 independent providers (15 taxi⁶ and two group van⁷ subcontractors) in the City to operate paratransit services on behalf of the agency. These subcontractors provide approximately 20 percent of Group Van service and 100 percent of taxi service for ADA and non-ADA eligible clients, as well as Department of Disability and Aging Services (DAS) client service.⁸ In addition to these subcontractors, East Bay Paratransit, which provides ADA Paratransit service in Alameda County, provides intercounty shared van service between San Francisco and the East Bay for ADA-eligible individuals through a cost sharing agreement⁹ with SFMTA. According to SFMTA, Group Van and DAS subcontractors are paid per-trip rates negotiated with Transdev, while intercounty service (provided by East Bay Paratransit) is compensated on a per-mile basis for trips beyond the BART and AC Transit service area in the City. Taxi vendors are paid the metered fare set by SFMTA Taxi Services.

Paratransit Ridership

Paratransit ridership has declined approximately 19 percent from FY 2018-19 to FY 2024-25, primarily driven by the impact of the pandemic. However, total ridership post-pandemic has grown by approximately 50 percent from FY 2020-21 to FY 2024-25, with an average annual growth of 11 percent during this period. From FY 2023-24 to FY 2024-25, ridership grew by approximately six percent. SF Access and the Taxi Service program account for the majority (80 percent) of passenger trips in FY 2024-25. Exhibit 2 below shows the number of passenger trips across all paratransit programs from FY 2018-19 to FY 2024-25.

⁶ Taxi subcontractors include the following: ABC Taxicab, American Cab, Crown Cab, Eco Taxicab, Flywheel Taxi, Fog City Cab, Green Cab, Max Cab, National Cab, Regents Cab, SF Super Cab, SF Taxicab, USA Cab, Yellow Cab, and Serra Yellow Cab

⁷ Group van subcontractors are Kimochi and Self-Help for the Elderly

⁸ This program is funded by the Department of Disability and Aging Services and provides group van services to individuals attending congregate meal programs.

⁹ The cost sharing agreement is funded through the Transdev contract's budget and pays for all trips beyond the BART/AC Transit service area in San Francisco (e.g. Sunset District). SFMTA states that all trips are reviewed and verified by the Transdev staff.

Exhibit 2. Paratransit Ridership from FY 2018-19 to FY 2024-25

Program	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Paratransit Taxi (including Essential Trip Card)	313,920	252,208	267,955	300,521	279,795	293,509	311,548
SF Access	203,131	190,746	110,650	140,281	161,980	150,471	151,859
Group Van	156,499	110,759	66	30,752	55,751	77,839	88,828
Intercounty	9,040	7,487	3,838	6,908	6,945	8,439	10,292
Department of Disability and Aging Services	31,871	22,828	2,614	7,558	13,247	17,233	16,805
Shop-a-Round	3,722	2,319	2,013	2,065	1,845	2,246	2,635
Van Gogh	686	557	0	0	41	277	169
Total Trips	718,869	586,904	387,136	488,085	519,604	550,014	582,136
Annual % Change in Total Trips		-18%	-34%	26%	6%	6%	6%

Source: MTA Data

Contract Extension

The proposed amendment extends the contract beyond the initially contemplated 10-year term to allow sufficient time in evaluating cost saving opportunities to inform a competitive solicitation anticipated in Spring or Winter 2027. In addition, SFMTA states that undergoing a solicitation at this time and transitioning to a new vendor would disrupt or delay ongoing technology upgrades and pilot programs, such as updating the paratransit taxi debit card system and implementing the Clipper Card pilot program for SF Access commencing in Spring 2026.

During the extension period, SFMTA plans to complete analyses in the following areas to determine operational efficiencies and cost savings:

- Right sizing the driver's workforce and fleet of approximately 140 vehicles to align with post-pandemic demand;
- Streamlining broker office functions to reduce administrative costs;
- Assessing alternative fueling strategies using City-owned facilities;
- Analyzing the feasibility of subcontracting a portion of SF Paratransit van service to lower-cost providers, including associated oversight and compliance requirements,

- Evaluating opportunities to consolidate call center, dispatch, and administrative functions into City-owned facilities to reduce facility costs; and
- Assessing new revenue opportunities, such as Medi-Cal reimbursement¹⁰

Small Business Enterprise Requirements

Under the contract, Transdev has committed to achieving 10 percent Small Business Enterprise (SBE) subcontracting participation for the contract. As of December 2025, Transdev reports a 12 percent SBE achievement.

Performance Monitoring

SFMTA staff monitor contractor performance through weekly and monthly reports, as well as an annual customer satisfaction survey. Transdev is required to provide weekly and monthly reports that track service level statistics, such as number of SF Access and Group Van trips, on time performance, number of no-show and cancelled trips, number of trips by subcontractor and mode, number of trip denials, number of service complaints, among others.

The existing agreement includes customer operating standards (such as on-time performance above 90 percent and group van service trip rides should not exceed 90 minutes) and also required that the contractor develop a monitoring program to assess service quality and on time reliability. According to the June 2025 monthly report, the contractor achieved the following goals for FY 2024-25:

- On-time performance above 92 percent for SF Access, Group Van and Taxi services;
- Less than two complaints per 1,000 trips for SF Access, Group Van and Taxi services;
- Broker (Transdev) answered at least 80 percent of all phone calls in person;
- Broker's call hold time was less than 60 seconds; and
- Less than one Federal Transit Administration-defined reportable accident occurred per 100,000 miles for each mode

In addition, according to the 2025 customer satisfaction survey, 90 percent of respondents were very or somewhat satisfied with overall paratransit services in 2025. The majority of riders (93 percent)¹¹ rated the quality of service on their surveyed trip as excellent or good. In addition, most respondents (97 percent) were very or somewhat satisfied with paratransit broker services

¹⁰ In California, paratransit operators may generate revenue by enrolling as Medi-Cal providers and billing for eligible Non-Emergency Medical Transportation and Non-Medical Transportation services. According to SFMTA, given that approximately 60 percent of paratransit trips are to or from medical facilities, identifying reimbursable trips and leveraging Medi-Cal rates could potentially offset a portion of costs for eligible medical trips. SFMTA is assessing next steps, including the operational scope and software requirements for eligibility, trip management, and billing.

In addition, SFMTA states that the agency and the City have pursued Medi-Cal reimbursement for paratransit in coordination with statewide partners for several years. The City supported AB 719 (2023) to require Medi-Cal plans to contract with public paratransit operators, but it was vetoed, and AB 2043 (2024) to direct the Department of Health Care Services to engage public paratransit operators, which did not advance.

¹¹ This reflects trips for SF Access, Group Van and Taxi services

in 2025. As discussed below, the customer satisfaction survey will not be required under the proposed extended term to save costs.

FISCAL IMPACT

The proposed tenth amendment would increase the contract amount by \$30,831,549, for a total not to exceed \$339,102,572. Actual and projected expenditures through the end of the existing term (June 30, 2026) are \$274,959,122, which is 89 percent of the current not to exceed amount. Under the contract's "cost-plus-fixed-fee" model, SFMTA reimburses Transdev for allowable actual expenditures and pays a pre-negotiated fixed fee for management and overhead. Exhibit 3 below shows the actual and projected contract expenditures from FY 2016-17 to FY 2027-28.

Exhibit 3: Actual and Projected Contract Expenditures

Year	Broker Services ^a	Transportation Subcontractors ^b	Total Transit Division ^c	Total Expenditures
FY 2016-17 (Actual)	\$3,780,626	\$6,858,960	\$14,492,234	\$25,131,819
FY 2017-18 (Actual)	3,735,372	5,365,904	16,951,424	26,052,700
FY 2018-19 (Actual)	4,064,973	6,921,706	18,807,430	29,794,109
FY 2019-20 (Actual)	4,049,553	4,338,578	19,385,596	27,773,727
FY 2020-21 (Actual)	4,556,892	3,708,221	14,019,651	22,284,764
FY 2021-22 (Actual)	4,583,912	4,601,664	16,766,941	25,952,517
FY 2022-23 (Actual)	4,536,452	5,163,647	18,770,784	28,470,883
FY 2023-24 (Actual)	5,389,799	6,082,179	18,521,645	29,993,623
FY 2024-25 (Actual)	4,792,097	6,697,714	18,456,201	29,946,012
FY 2025-26 (Projected as of Oct 2025) ¹²	4,444,506	6,821,776	18,292,686	29,558,968
<i>Subtotal</i>	<i>\$43,934,182</i>	<i>\$56,560,349</i>	<i>\$174,464,591</i>	<i>\$274,959,122</i>
FY 2026-27 (Projected)	4,767,862	7,094,647	19,300,260	31,162,769
FY 2027-28 (Projected)	4,912,482	7,307,486	20,760,713	32,980,681
<i>Subtotal, Projected Expenditures</i>	<i>\$9,680,344</i>	<i>\$14,402,133</i>	<i>\$40,060,973</i>	<i>\$64,143,450</i>
Total	\$53,614,526	\$70,962,482	\$214,525,564	\$339,102,572

Source: SFMTA

^a Transdev staff costs, office and other direct administrative costs, and a management fee equal to 3 percent of broker services

^b Costs for subcontractors that provide 20 percent of Group Van service, and all Taxi service, intercounty and DAS service

¹² SFMTA states that the FY 2025–26 budget is based on actual paratransit expenditures for July–October 2025 and projected service demand. SFMTA states that actual expenditures through December 2025 are \$15,038,961.

^c Transdev staff and direct costs for maintaining and operating vehicles and providing all transportation services for SF Access, Shop-a-Round, and Van Gogh programs and 80 percent of Group Van services

Proposed total expenditures increase by 5.4 percent from FY 2025-26 to FY 2026-27 and 5.8 percent from FY 2026-27 to FY 2027-28. According to SFMTA, projected FY 2026–27 and FY 2027–28 expenditures reflect assumed annual ridership growth of 10 percent in the Group Van Program, no growth in SF Access, and five percent growth in the Taxi Service Program, based on FY 2023–24 to FY 2024–25 ridership trends.¹³ Additional factors include costs for Broker Services increasing by 7.3 percent from FY 2025-26 to FY 2026-27 due to higher fringe benefit rates and anticipated salary increases, as well as Transit Division costs increasing by 7.6 percent from FY 2026-27 to FY 2027-28 to reflect scheduled union salary adjustments under a new union agreement. Costs for Transportation Subcontractors increase three to four percent during the contract extension period to reflect costs associated with the projected ridership growth trends, as previously mentioned.

Cost Saving Measures

According to SFMTA, the contract amendment updates the FY 2025-26 budget to incorporate the following cost saving measures: reducing rent for the Broker's office, holding two Transdev administrative and one maintenance position vacant, reducing the General and Administrative and management fees (as further discussed below), using City-owned fueling facilities, and eliminating the annual customer satisfaction survey. As discussed above, despite these cost-saving measures, costs are increasing in the extension years, in part due to assumed increases in ridership.

The proposed amendment reduces the General and Administrative (G&A)¹⁴ rate for Broker Services from five percent to three percent of reimbursable expenses (excluding CabConnect costs¹⁵) during the extension period (as of October 2025), and sets the Transit Division G&A rate at three percent of reimbursable expenses (excluding legal fees) from October 1, 2025 through June 30, 2026, increasing to 4.5 percent from July 1, 2026 through June 30, 2028.

The proposed amendment also reduces the fixed management fee¹⁶ for October 2025 through June 2028, from five percent to three percent for Broker Services and 2.5 percent for Transit Services for each extension year.

Sources of Funding

As shown in Exhibit 4 below, the proposed two-year extension will be funded by local funding (73 percent), state funding (10 percent) and federal funding (17 percent). Approximately 45 percent

¹³ From FY 2023-24 to FY 2024-25, Group Van ridership grew by 14 percent, Taxi service grew by 6 percent, and SF Access grew by approximately one percent.

¹⁴ This funds overhead costs needed to support operations, such as accounting, trainings, legal, HR support, etc.

¹⁵ CabConnect is the software used for payment processing and data collection of taxi trips

¹⁶ This is a fixed fee paid to Transdev for the administration, oversight, and operational management of the service; (essentially it is their profit)

of expenditures will be funded by local revenues from Proposition L sales tax funds. Approximately 18 percent of expenditures will be funded by the SFMTA operating budget.¹⁷

Exhibit 4. Funding Sources for Proposed Contract Extension

Sources	FY 2026-27	FY 2027-28	Total
<i>Federal and State</i>			
Federal Transit Administration 5307	\$5,500,000	\$5,500,000	\$11,000,000
State Transit Assistance-Paratransit	3,300,000	3,300,000	6,600,000
<i>Local</i>			
Proposition L ^a	14,329,000	14,758,000	29,087,000
BART ADA Contribution ¹⁸	2,147,434	2,211,857	4,359,290
SFMTA Operating Budget	5,286,335	6,560,824	11,847,160
Department of Disability and Aging Services ¹⁹	600,000	650,000	1,250,000
Total	\$31,162,769	\$32,980,681	\$64,143,450

Source: SFMTA

^a Half-cent local sales tax for transportation

POLICY CONSIDERATION

The proposed 12-year term exceeds the 10-year term advertised in the 2015 Request for Proposals. The SFMTA is proposing to extend this agreement by two years through June 2028 to provide additional time to evaluate cost saving strategies and to avoid disruption to ongoing technology upgrades and pilot programs. The SFMTA plans to issue a competitive solicitation for these services in Spring or Winter 2027.

RECOMMENDATION

Approve the proposed resolution.

¹⁷ SFMTA states that most funding sources do not specify restrictions on the type of expenditure (e.g., ADA-eligible versus non-ADA eligible). The exceptions are DAS and BART.

¹⁸ SFMTA maintains cost-sharing agreements with BART and the Department of Disability and Aging Services

¹⁹ This fully funds transportation for the DAS congregate meals program transportation.

Item 7 File 25-1248	Department: Port
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed ordinance would appropriate \$18,500,000 of fund balance from the Port Harbor Fund for stabilization and disposal of dry docks and other shipyard improvements and safety measures. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> On February 3, 2026, the Board of Supervisors approved an emergency declaration for work related to stabilizing Dry Dock #2 at Pier 68 (File 26-0009). The emergency declaration suspends procurement requirements in Administrative Code Chapters 6 and 14B as well as Labor & Employment Code Sections 131 and 132 to expedite the contracting process. Once Dry Dock #2 is stabilized, the Port plans to dispose of Dry Dock #2 at Pier 68 and Eureka Dry Dock at Pier 70. The Port estimates that the work to stabilize Dry Dock #2 will take place between January and July 2026. The disposal plan for both Dry Dock #2 and Eureka Dry Dock are in the conceptual phase and will require substantial planning and approval from regulatory authorities that could take from two to four years, according to the Port. Three conceptual options have been prepared by the consultant Herbert Engineering Corp., which include either scrapping within or outside of the San Francisco Bay Area, or scuttling (sinking at sea). <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The proposed ordinance appropriates \$18,500,000 in funding from the Port Harbor Fund. This funding, along with \$1.5 million in previously appropriated BAE settlement funds (following abrupt termination of shipyard operations by BAE Systems at Pier 70) will provide a total of \$20 million in initial funding to complete assessments, design for repairs and demolition, and pay for the emergency contract for stabilization repair work of Dry Dock #2. According to Port staff, the FY 2026-27 Capital Budget is anticipated to include an additional \$41.2 million in funding for a total of \$61.2 million (including the proposed supplemental appropriation of \$18.5 million and previously appropriated funding of \$1.5 million) to fully cover disposal of Dry Dock #2 and Eureka Dry Dock at Pier 70. As of June 2025, the Port Harbor Fund had \$190 million in unrestricted net assets, all held in cash. Assuming the proposed ordinance is approved to appropriate \$18.5 million from the Port Harbor Fund, the balance of the fund would be \$171.5 million. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed ordinance. 	

MANDATE STATEMENT

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

BACKGROUND

Dry Dock #2 is a large floating dry dock at the Port's Pier 68/70 shipyard used to lift large vessels out of the water so they can be inspected, repaired, and maintained. Dry Dock #2 at Pier 68 is a 55-year-old 900-foot steel floating dry dock. A second dry dock known as Eureka Dry Dock is located at Pier 70. Since 2017, the Pier 68/70 shipyard has been without a tenant to provide ship repairs and dock maintenance. The Port issued solicitations to identify a shipyard operator in 2017 and again in 2018 but did not identify a viable proposal to reactivate the shipyard.

On February 3, 2026, the Board of Supervisors approved an emergency declaration for work related to stabilizing Dry Dock #2 at Pier 68 (File 26-0009). The emergency declaration suspends procurement requirements in Administrative Code Chapters 6 and 14B as well as Labor & Employment Code Sections 131 and 132 to expedite the contracting process. Once Dry Dock #2 is stabilized, the Port plans to dispose of both dry docks.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$18,500,000 of fund balance from the Port Harbor Fund for stabilization and disposal of dry docks and other shipyard improvements and safety measures.

Project Timeline

The Port estimates that the work to stabilize Dry Dock #2 will take place between January and July 2026.

The final demolition and disposal for both Dry Dock #2 and Eureka Dry Dock are in the conceptual phase and will require substantial planning and approval from regulatory authorities that could take from two to four years, according to the Port. Three conceptual options have been prepared by the consultant Herbert Engineering Corp., which include either scrapping within or outside of the San Francisco Bay Area, or scuttling (sinking at sea).

FISCAL IMPACT

The proposed ordinance appropriates \$18,500,000 in funding from the Port Harbor Fund. This funding, along with \$1.5 million in previously appropriated BAE settlement funds,¹ will provide a total of \$20 million in initial funding to complete assessments, design for repairs and demolition, and pay for the emergency contract for stabilization repair work of Dry Dock #2.

Total Costs to Demolish Dry Docks

According to Port staff, the FY 2026-27 Capital Budget is anticipated to include an additional \$41.2 million in funding for a total of \$61.2 million (including the proposed supplemental appropriation of \$18.5 million and previously appropriated funding of \$1.5 million) to fully cover disposal of Dry Dock #2 and Eureka Dry Dock at Pier 70, as shown in Exhibit 1.

Exhibit 1: Total Cost to Complete Demolition of Dry Dock #2 and Eureka Dry Dock

Uses (By Construction Phase)	
Phase 1A: Dry Dock #2 Emergency Stabilization	\$8,600,000
Phase 2A: Dry Dock #2 Disposal	27,400,000
Phase 2B: Eureka Disposal	15,700,000
Subtotal	51,700,000
Contingency on Hard Costs (30%)	9,500,000
Total	\$61,200,000

Source: Port

Note: The contingency is applied only to hard costs (a subset of total costs shown) at 30 percent, which equates to 18 percent of overall costs of \$51,700,000.

According to Port staff, the engineering as-needed consultant team GHD-Structus JV along with naval engineering firm Herbert Engineering and BK Cooper were engaged in December 2024 to prepare a conceptual work plan and cost estimates for the Port to utilize for budgeting for the disposal of the two dry docks at a total of \$61.2 million. The Port's total budget of \$61.2 million assumes the dry docks will be disposed in the San Francisco Bay Area region; however, the unexpected closure of the Mare Island Dry Dock in Vallejo means that the Port will evaluate alternatives that may drive up costs by anywhere from \$2 to \$53 million, according to Port staff.

Funding Source

As of June 2025, the Port Harbor Fund had \$190 million in unrestricted net assets, all held in cash. Assuming the proposed ordinance is approved to appropriate \$18.5 million from the Port Harbor Fund, the balance of the fund would be \$171.5 million. According to Port staff, most federal and state grants do not provide funding for the type of emergency repair and disposal needed; however, Port staff are evaluating whether any state or federal funding may be available to offset these costs.

¹Refers to a \$4.9 million settlement payment made by BAE Systems to the Port in July 2017, secured following the abrupt termination of shipyard operations at Pier 70.

The Port reports that no specific projects are being delayed to fund the Dry Dock #2 repair and disposal of both dry docks. Without the emergency repair work, the Port reports the \$8.6 million in funding for emergency work would have been used for maintenance projects.

RECOMMENDATION

Approve the proposed ordinance.

Item 9 File 26-0075	Department: Office of Contract Administration (OCA) Department of Public Health (DPH)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution would approve the second amendment between the Office of Contract Administration (OCA) and Vitalant to provide blood and blood products for the Department of Public Health (DPH), extending the term by five years for a total term from October 1, 2021 through September 30, 2031, and increasing the amount by \$18,259,000 for a total not-to-exceed amount of \$28,249,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> Vitalant is the only blood supplier with a facility close enough to guarantee delivery of emergency blood products to General Hospital within one hour. In October 2021, OCA executed a sole-source contract with Vitalant for blood and blood products for DPH for a term from October 1, 2021 through September 30, 2024 and total amount of \$9,990,000. Under the proposed amendment, Vitalant will continue being the primary supplier of blood and blood products to General Hospital. Examples of blood products include whole blood, red blood cells, platelets, plasma, and specialty blood products needed for emergencies, surgical and/or complex medical care. The City is not required to purchase any specific quantity of blood and blood products. Under the contract, Vitalant charges blood service and lab services fees to pay for costs related to the processing, testing, collecting and delivering of blood and blood products, as well as specialized or urgent lab work. According to an October 2025 performance report, the vendor met performance expectations on all measures from January to September 2025. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The proposed amendment increases the not-to-exceed amount of the contract by \$18,259,000 to a total of \$28,249,000, covering a ten-year term. OCA calculated the total not-to-exceed amount based on projected average monthly spending with average annual increases of 2.5 percent for Years 6 through 8 and four percent for Years 9 and 10, and a 15 percent contingency. Increases were based on pricing negotiations with the vendor and the percentage change from December 2024 to 2025 for the San Francisco Bay Area Consumer Price Index (CPI) for medical care, which is approximately 2.5 percent. The source of funds for the contract is the General Fund. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed resolution. 	

MANDATE STATEMENT

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

BACKGROUND

Vitalant is a nonprofit blood center that serves as a primary supplier of blood and blood products for approximately 900 hospitals across the country, which includes testing and processing blood and blood products in accordance with regulatory standards. In October 2021, the Office of Contract Administration (OCA) executed a contract with Vitalant for blood and blood products for the Department of Public Health (DPH) for a term from October 1, 2021 through September 30, 2024 and total amount of \$9,990,000. OCA waived competitive solicitation requirements for the contract under Administrative Code Section 21.5(b), which allows procurement of commodities or services available only from a sole source. According to OCA, Vitalant's Brisbane facility is the only blood supplier close enough to guarantee delivery of emergency blood products to Zuckerberg San Francisco General Hospital (ZSGH) within one hour. OCA states this rapid response is needed because ZSGH is the only Level 1 trauma center in the City.¹

In October 2024, OCA amended the contract, extending the term by two years to September 30, 2026 and revising the Appendix B: Blood Service and Laboratory Services Fee Schedules.² OCA now proposes to extend the contract for an additional five years to September 30, 2031.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the second amendment between OCA and Vitalant to provide blood and blood products for DPH, extending the term by five years for a total term from October 1, 2021 through September 30, 2031, and increasing the amount by \$18,259,000 for a total not-to-exceed amount of \$28,249,000. The proposed resolution would also authorize OCA to make further immaterial amendments to the contract.

Services

Under the proposed amendment, Vitalant will continue to be the primary supplier of blood and blood products to Zuckerberg San Francisco General Hospital. Examples of blood products

¹ According to OCA, other suppliers, including American Red Cross blood centers in Oakland and San Jose, are located farther away and require travel across congested or disaster-vulnerable routes, making them unable to reliably meet the hospital's emergency delivery needs.

² Blood service fees increased an average of 3.7 percent across all blood products and/or services and five percent across all lab services from Year 4 to 5 under the modification.

include whole blood³, red blood cells, platelets, plasma, cryoprecipitate⁴, and specialty blood products needed for emergencies, surgical and/or complex medical care. Blood and blood products are essential supplies used in emergency care, surgical procedures, and the treatment of chronic conditions.

The contract details specifications for the ordering, delivery, inventory management, and storage of blood and blood products. The City is not required to purchase any specific quantity of blood and blood products. Under the contract, blood and blood products may be requested 24 hours a day, seven days a week, including holidays, and will be ordered on an as-needed basis.

The proposed contract obligates the City to purchase all blood supplies from Vitalant, unless Vitalant is unable to supply the requested blood or there is an emergency.

Pricing

Under the contract, Vitalant charges blood service and lab services fees to pay for costs related to the processing, testing, collecting and delivering of blood and blood products, as well as specialized or urgent lab work. Under the proposed amendment, fees for blood products and/or services range from \$895 for Pathogen Reduction Technology Platelets⁵ to \$50 for Cytomegalovirus (CMV) Negative blood.⁶ Fees for lab services range from \$2,100 for an assessment fee for external transfusion services and emergency services providers to \$27.51 for RH(D) typing.⁷ Appendix B in the proposed amendment details fees for 18 blood products and/or services and 77 types of lab services.

Under the proposed amendment, blood service fees increase an average of 3.1 percent annually across all blood products⁸ during the five-year contract extension period. Lab service fees increase an average of 3.6 percent annually during the same period. According to OCA, fee increases were based on pricing negotiations with the vendor and the percentage change from December 2024 to 2025 for the San Francisco Bay Area Consumer Price Index (CPI) for medical care, which is approximately 2.5 percent. OCA states that after negotiations, the vendor agreed to limit the overall price increase to 2.5 percent for the first three years of the extension. However, due to market uncertainty and the potential upward trend in the CPI for medical care, the vendor declined to apply this increase to the final two years. The City was able to negotiate a fixed four percent increase for the final two years of the extension.

³ This is blood that is collected from a donor and not separated into individual components (e.g., red blood cells, plasma, platelets).

⁴ This is a blood product made from plasma to help with clotting.

⁵ Pathogen Reduction Technology (PRT) platelets are platelet blood products that have been treated to reduce the risk of transmitting infections.

⁶ This is blood collected from donors who do not have antibodies to CMV, meaning they have not been infected with the virus and are used for patients at high-risk for CMV, such as newborns and pregnant patients.

⁷ This is a standard lab test used to identify whether blood is Rh-positive or Rh-negative

⁸ Excluding whole blood, which DPH has not ordered since 2021, as well as fees for blood services (e.g., STAT order fee)

Performance Monitoring

The contract includes terms and conditions to hold the vendor accountable for product delivery timeframes, product availability, and reporting requirements. The vendor is required to provide an annual usage report to OCA. Under the proposed amendment, the following performance measures will be tracked:

- Vendor will use reasonable efforts to meet or exceed a 95 percent fill rate of Red Blood Cells and Platelets; and
- Vendor will use reasonable efforts to have STAT blood products⁹ packed and shipped within one hour of its receipt of an order 95 percent of the time.

According to an October 2025 performance report, the vendor met performance expectations for these two measures from January to September 2025.

FISCAL IMPACT

The proposed amendment increases the not-to-exceed amount of the contract by \$18,259,000 to a total of \$28,249,000, covering a ten-year term. As of February 3, 2026, \$9,927,908 has been spent on the contract with \$62,092 remaining for the last year of the existing term (Year 5). The proposed amendment includes \$1.8 million for Year 5, as well as funding for the proposed extension (Years 6 through 10). The basis for the spending is outlined below in Exhibit 1.

Exhibit 1: Contract Spending Projection 2025-2031 (as of October 19, 2025)

Year	Amount
Current Agreement	\$9,990,000
Projected Year 5 Expenditures (10/20/25 – 9/30/26)	\$2,465,324
Projected Year 6 Expenditures (10/1/26 – 9/30/27)	\$2,636,820
Projected Year 7 Expenditures (10/1/27 – 9/30/28)	\$2,702,736
Projected Year 8 Expenditures (10/1/28 – 9/30/29)	\$2,770,308
Projected Year 9 Expenditures (10/1/29 – 9/30/30)	\$2,881,116
Projected Year 10 Expenditures (10/1/30 – 9/30/31)	\$2,996,364
Available Contract Balance (as of 10/19/25)	(\$662,092)
Contingency (15% of Projected Year 5 – 10 Expenditures)	\$2,467,900
Proposed Revised Executed Contract NTE	\$28,248,476
Proposed Revised Executed Contract NTE (Rounded)	\$28,249,000

Source: OCA

⁹ STAT blood products are blood or blood components that are ordered for immediate, urgent delivery because a patient's condition is life-threatening or time critical.

OCA calculated the total not-to-exceed amount based on projected average monthly spending of \$214,376¹⁰ in Year 5 as the baseline with average annual increases of 2.5 percent for Years 6 through 8 and four percent for Years 9 and 10, and a 15 percent contingency to account for potential increases in blood usage including, but not limited to, increases due to higher patient census and acuity. As previously mentioned, the increases were based on pricing negotiations with the vendor and the percentage change from December 2024 to 2025 for the San Francisco Bay Area Consumer Price Index (CPI) for medical care, which is approximately 2.5 percent.

The source of funds for the contract is the General Fund.

Cost Comparison

To compare costs with other jurisdictions, OCA reviewed the County of Santa Clara Health System's (CSCHS) current contract with the American Red Cross for blood and blood products. CSCHS's agreement is five years, ending in June 2026 with a total amount of \$27 million, which is approximately \$17 million greater than OCA's current five-year contract with Vitalant. OCA states that CSCHS's unit pricing is approximately 11 to 19 percent lower; however, OCA believes this is reasonable because CSCHS purchases a significantly higher volume of blood products. According to OCA, smaller hospitals generally pay higher prices for blood and blood products than larger health systems due to economies of scale and purchasing power. Blood collection and processing involve significant fixed costs, which suppliers can spread across larger, more predictable order volumes from large health systems, resulting in lower unit prices. In addition, high-volume purchasers have greater negotiating leverage and generate fewer transactions and logistics costs, allowing suppliers to offer more favorable pricing. Aside from CSCHS, OCA did not review pricing from additional jurisdictions given the extensive negotiations undertaken for the proposed amendment.

RECOMMENDATION

Approve the proposed resolution.

¹⁰ To calculate this, OCA used the average monthly spend from January through April 2025 (\$202,241) and escalated by six percent, which reflects the pre-negotiated average price adjustment for Year 5 as approved under the first modification.

Items 14 & 15 Files 26-0090, 26-0091	Department: Controller's Office
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • File 26-0090 is a resolution that re-authorizes the execution and delivery of tax-exempt commercial paper certificates of participation Series 1 and 2, and taxable lease revenue commercial paper certificates of participation Series 1-T and 2-T, in an aggregate principal amount not to exceed \$150,000,000, and authorize the delivery of an alternate credit facility in the total stated amount of \$163,500,000. • File 26-0091 is a resolution that re-authorizes the execution and delivery of tax-exempt commercial paper certificates of participation Series 3 and 4, and taxable lease revenue commercial paper certificates of participation Series 3-T and 4-T, in an aggregate principal amount not to exceed \$100,000,000, and authorize the delivery of an alternate credit facility in the total stated amount of \$109,000,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Commercial paper is a short-term interim financing tool for capital projects that permits the City to pay for capital project costs on an ongoing basis. The City's \$250 million Commercial Paper Program includes four series of commercial paper supported by credit facilities from two banks. After conducting a competitive solicitation, the Office of Public Finance (OPF) has awarded new credit facility agreements with TD Bank and BMO Bank. • Under the Commercial Paper Program, the City leases City property to a third-party trustee as security for the commercial paper, and leases back this City property from the trustee. Payments on the lease-back agreement are equal to debt service of the commercial paper. The proposed lease and sublease amendments list six properties to secure the commercial paper. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The City would incur one-time estimated General Fund costs of \$750,000 for fees related to the credit facilities for the City's bond counsel and municipal advisor, bank counsel, rating agency fees, and other related closing costs. • In addition, the City would incur estimated ongoing General Fund costs of \$1,633,040 per year to pay fees for the new credit facilities. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolutions. 	

MANDATE STATEMENT

According to City Charter Section 9.113 (e), the Board of Supervisors has the authority to borrow money by the issuance of tax anticipation notes, temporary notes, commercial paper, or other short-term debt instruments.

BACKGROUND

Commercial Paper

Commercial paper is a short-term interim financing instrument for capital projects that permits the City to pay for capital project costs on an ongoing basis. Commercial paper notes are issued as needed to pay capital project costs as they are incurred, supported by a line of credit provided by a bank. Commercial paper has a fixed maturity date of up to 270 days (approximately nine months), compared with a fixed maturity date of 20 to 30 years for long-term debt, such as general obligation bonds. On the maturity date, commercial paper may be refinanced for additional periods of up to 270 days.

Commercial paper may be issued in anticipation of the issuance of previously authorized, but not yet issued long-term debt, or for short-term financing of equipment and/or vehicles. The use of commercial paper can reduce overall borrowing costs associated with the issuance of long-term debt because commercial paper interest rates are typically lower than long-term interest rates.

The City's Commercial Paper Program

The Board of Supervisors approved the creation of the City's Commercial Paper Program in 2009, which allowed the City to issue up to \$150,000,000 in commercial paper (Commercial Paper Series 1 and 2) (File 09-0197). The Board of Supervisors approved an increase of \$100,000,000 in the Commercial Paper Program (Commercial Paper Series 3 and 4) in 2013 (File 13-0627). The Board of Supervisors has reauthorized Series 1 and 2 in 2016 and 2023 (Files 16-0427 and 23-0010) and Series 3 and 4 in 2022 (File 22-0210). The City's Commercial Paper Program generally applies to the City's General Fund departments and the Port, which is an enterprise department. The City's other enterprise departments have authorization for separate commercial paper programs, including the Public Utilities Commission, Airport, and Municipal Transportation Agency.

Under separate revolving credit agreements, two banks provide lines of credit to support the City's \$250,000,000 Commercial Paper Program: \$150,000,000 from Wells Fargo to support Series 1 and 2, and \$100,000,000 from BMO Bank to support Series 3 and 4.¹ The Wells Fargo agreement expires in March 2026 and the BMO Bank agreement expires in April 2026. In September 2025, the Office of Public Finance (OPF) issued a Request for Proposals (RFP) to award

¹ The banks provide credit facilities that guarantee that the banks will repay the outstanding commercial paper in the event that the City is unable to make required payments to the commercial paper investors.

new credit facility agreements. OPF received five proposals for each credit facility agreement, an evaluation panel scored them, as shown in Exhibit 1 below.²

Exhibit 1: Proposers and Scores from RFP

Proposer	Average Score (Out of 100 Points) ³	Proposed Fee
Series 1 and 2		
TD Bank	93	0.30%
Wells Fargo	89	0.32%
Bank of America	87	0.32%
US Bank	82	0.33%
JP Morgan	77	0.40%
Series 3 and 4		
BMO Bank	95	0.31%
Bank of America	89	0.32%
US Bank	88	0.33%
JP Morgan	84	0.355%
Truist	75	0.40%

Source: OPF

TD Bank and BMO Bank were the highest scoring proposers to provide credit facilities for each commercial paper series and OPF awarded them contracts. Notably, TD Bank and BMO Bank offered the lowest fees for each credit facility.

DETAILS OF PROPOSED LEGISLATION

File 26-0090 is a resolution that: (1) re-authorizes the execution and delivery of tax-exempt lease revenue commercial paper certificates of participation (Series 1 and 2) and taxable lease revenue commercial paper certificates of participation (Series 1-T and 2-T) in aggregate principal not to exceed \$150,000,000 to finance capital improvements;⁴ (2) authorizes the delivery of an alternate credit facility in the amount of \$163,500,000;⁵ and (3) approves and authorizes execution of a third supplement to the trust agreement, a third amendment to the site lease, a third amendment to the sublease, a letter of credit and reimbursement agreement, a fee

² The evaluation panel consisted of a Vice President from KNN Public Finance, a Manager III from San Francisco International Airport, and a Principal Administrative Analyst II from OPF.

³ Proposals were scored based on Pricing and Bank Credit/Trading Value (70 points), Other Cost Factors (10 points), Proposer's Commitment to Swift Execution (10 points), Proposer Experience and References (5 points), and overall quality and completeness of proposal (5 points).

⁴ The tax-exempt commercial paper is used for eligible tax-exempt capital projects and taxable lease revenue commercial paper certificates of participation are used for projects that do not qualify for federal tax exemptions.

⁵ The \$163,500,000 and \$109,000,000 amounts include respective principal amounts of \$150,000,000 and \$100,000,000 and available interest commitments of \$13,500,000 and \$9,000,000.

agreement, an offering memorandum, dealer agreements, other related financing documents, and other related actions.

File 26-0091 is a resolution that: (1) re-authorizes the execution and delivery of tax-exempt lease revenue commercial paper certificates of participation (Series 3 and 4) and taxable lease revenue commercial paper certificates of participation (Series 3-T and 4-T) in aggregate principal not to exceed \$100,000,000 to finance capital improvements; (2) authorizes the delivery of an alternate credit facility in the amount of \$109,000,000; and (3) approves and authorizes execution of a second supplement to the trust agreement, a third amendment to the site lease, a third amendment to the sublease, a letter of credit and reimbursement agreement, a fee agreement, an offering memorandum, dealer agreements, other related financing documents, and other related actions.

Credit Facilities

Under the proposed resolutions, two credit facility agreements would support the City's Commercial Paper Program:

- \$150,000,000 in a new letter of credit provided by TD Bank; and
- \$100,000,000 in an amended and restated revolving credit agreement provided by BMO Bank.

Each agreement would have a term of approximately three years from March 2026 through March 2029. The existing agreements would terminate upon execution of the new agreements.

Financing Documents

Credit Agreements

Under the proposed credit facilities, the City may receive up to \$150,000,000 of credit support from TD Bank through a letter of credit and may draw up to \$100,000,000 from BMO Bank under a revolving credit agreement. The City would access the letter of credit or draw on the revolving credit agreement only if the City could not make the required payments to the commercial paper investors. According to OPF memos to the Board of Supervisors, the City expects to repay the banks, in the event amounts are paid or drawn under the credit facilities, through refinancing commercial paper or issuing long-term debt. However, under extraordinary circumstances, such as the 2008 financial crisis, the City may not be able to repay the banks immediately, in which case the City could potentially pay interest on the commercial paper at a rate of up to 12 percent per year.

Fee Agreement

The City will pay fees of approximately 0.30 percent to TD Bank for the letter of credit of \$163,500,000 and 0.31 percent to BMO Bank for the line of credit equal of \$109,000,000, for a total annual cost of approximately \$839,906 per year.⁶ This is an increase over the fees of 0.25

⁶ The fees are based on the City's leased obligation credit ratings by each of the three credit rating agencies – Fitch, Moody's and S&P. The TD Bank fee of 0.30 percent reflects that the City's leased obligation ratings are AA or above (Fitch and S&P) and Aa2 or above (Moody's), for the higher of the two lowest ratings, while the BMO Bank fee of 0.31 percent reflects that the leased obligation ratings are AA- or above (Fitch and S&P) and AA3 or above (Moody's),

percent for Wells Fargo and 0.12 percent for BMO Bank for the existing lines of credit, with a total annual cost of approximately \$547,044. The new credit facilities result in an annual increase of \$292,862 to the Commercial Paper Program.

Dealer Agreements

Commercial paper dealers sell commercial paper on behalf of the City to investors. Under the new commercial paper dealer agreements between the City and J.P. Morgan, Bank of America, US Bank, and Wells Fargo, the fees paid by the City to the dealers would be 0.05 percent per year of the principal amount of the commercial paper notes outstanding each quarter. For the new lines of credit provided by TD Bank and BMO Bank, the City would pay the dealers a maximum fee of \$125,000 per year, based on \$250,000,000 in outstanding commercial paper debt.

Delivery and Paying Agent Agreement

Similar to a bond trustee, the commercial paper delivery and paying agent acts as depository and delivery agent for the commercial paper certificates and paying agent on behalf of commercial paper investors. Responsibilities of U.S. Bank Trust Company, the delivery and paying agent for commercial paper secured by the proposed lines of credit, are outlined in the Second and Third Amended and Restated Delivery and Paying Agent Agreements.

Lease and Sublease Agreements and Trust Agreements

Under the City's Commercial Paper Program, the City leases City property to a third-party trustee as security for the commercial paper and leases back this City property from the third-party trustee. The City's payments on the lease-back agreement are equal to the debt service of the relevant commercial paper series. The City has committed the properties shown in Exhibit 2 below to secure the proposed lines of credit from TD Bank and BMO Bank. These properties have a value of approximately \$334,264,246, or 134 percent of the not-to-exceed Commercial Paper Program amount of \$250,000,000.

for the lowest rating. These ratings are currently AA+ from Fitch, AA from S&P, and Aa2 from Moody's. If the City's ratings were downgraded, the fees would increase according to the commitment fee schedules in the agreements. For example, if the City's ratings were downgraded by one notch, there would be fee increases of 0.05 percent for TD Bank and 0.15 percent for BMO Bank. Annual fees are calculated on a 360-day basis rather than 365 days.

Exhibit 2: City Properties Proposed to Secure Commercial Paper Program

Property	Valuation⁷
Series 1 and 2 (\$150 Million Provided by TD Bank)	
Public Works Corporate Yard	\$72,000,000
Fire College	46,000,000
Fire Station 1	7,200,000
Ambulance Deployment Facility	74,136,863
<i>Series 1 and 2 Subtotal</i>	<i>\$199,336,863</i>
Series 3 and 4 (\$100 Million Provided by BMO Bank)	
Police Academy	\$35,250,000
Office of the Chief Medical Examiner	99,677,383
<i>Series 3 and 4 Subtotal</i>	<i>\$134,927,383</i>
Total	\$334,264,246

Source: Real Estate Division

Under the proposed First and Third Supplements to the Trust Agreements, U.S. Bank serves and the third-party trustee, responsible for: (1) authenticating and delivering the commercial paper; (2) leasing properties from the City; and (3) subleasing the properties back to the City. The City's sublease payments are equal to the principal and interest due on outstanding commercial paper debt. Under the proposed Third Amendments to the Site Leases, U.S. Bank would enter into site leases with the City for the following six properties to secure Commercial Paper Series 1, 2, 3, and 4: (1) Public Works Corporate Yard; (2) Fire College; (3) Fire Station 1; (4) Ambulance Deployment Facility; (5) Police Academy; and (6) Office of the Chief Medical Examiner. Under the proposed First and Third Amendments to the Subleases, the City would lease the same properties back to the City.

Series 1 and 2 are currently secured by a Public Health Clinic and the Human Services Agency (HSA) Central Office, and Series 3 and 4 are currently secured by the Public Safety Building. The proposed amendments would substitute the Ambulance Deployment Facility for the Public Health Facility and HSA Central Office and the Police Academy and Office of the Chief Medical Examiner for the Public Safety Building.⁸

City Capital Projects Accessing the City's Commercial Paper Program

Under Administrative Code Section 10.62(b), City capital projects that have been approved by the Board of Supervisors will be eligible to access the Commercial Paper Program to provide interim financing. Capital projects that currently have approval to obtain short-term interim financing through the Commercial Paper Program are shown in Exhibit 3 below.

⁷ The valuations for the Public Works Corporate Yard, Fire College, Fire Station 1, and Police Academy are as of January 2023. The valuations for the Ambulance Deployment Facility and Office of the Chief Medical Examiner are as of December 2025.

⁸ OPF is proposing to remove the HSA Central Office (170 Otis Street) from the leased asset pool because of uncertainty regarding the future of the building, and the Public Safety Building because of rising insurance costs. Under the proposed agreements, OPF could substitute leased assets at any time.

Exhibit 3: Capital Projects with Board Approval to Access Commercial Paper Program⁹

Year Approved	Project	Project Description	COP/CP Approved Amount
2013	TIDA Utility Infrastructure System	Utility infrastructure improvements on Treasure Island and Yerba Buena Island	\$13,500,000
2016	Housing Trust Fund	Development, acquisition, rehabilitation of affordable housing	\$95,000,000
2019	HOPESF	Rebuilding of public housing under the jurisdiction of the San Francisco Housing Authority	\$83,600,000
2019	Hall of Justice Relocation – Tenant Improvements	Improvement of Hall of Justice facilities and acquisition of adjacent property	\$62,000,000
2021	Police Vehicle Acquisition	Acquisition of 60 vehicles for the Police Department	\$2,425,000
2021	Critical Repairs & Recovery Stimulus COPs	Multiple projects approved by the Board of Supervisors in the 10-Year Capital Plan including improvements to City facilities and public right-of-way and projects that would stimulate the local economy	\$67,500,000
2022	Critical Repairs & Recovery Stimulus & Street Resurfacing COPs	Multiple projects approved by the Board of Supervisors in the 10-Year Capital Plan including improvements to City facilities and public right-of-way and projects designed to help build a more resilient and equitable San Francisco as part of the City's recovery from the COVID-19 pandemic	\$140,000,000
2023	Affordable Housing and Community Development Projects	Multiple affordable housing and capital improvement projects for MOHCD	\$146,800,000
2023	Critical Repairs and Street Resurfacing Projects	Multiple projects approved by the Board of Supervisors in the 10-Year Capital Plan including improvements to City facilities and street resurfacing projects	\$77,170,000
2024	Critical Repairs and Street Resurfacing Projects	Multiple projects approved by the Board of Supervisors in the 10-Year Capital Plan including improvements to City facilities and street resurfacing projects	\$61,395,000
2025	Curb Ramps and Street Resurfacing Projects	Curb ramp and street resurfacing projects approved by the Board of Supervisors in the 10-Year Capital Plan	\$65,000,000
Total			\$814,390,000

Source: OPF

The Controller may draw on commercial paper prior to Board of Supervisors' approval of long-term financing in the event of an emergency declared under Charter Section 3.100. However, this has not occurred to date according to OPF.

⁹ The amounts shown reflect the original COP/CP authorization figures. For the Housing Trust Fund, Police Vehicle Acquisition, 2021 and 2022 Critical Repairs and Recovery Stimulus, and Affordable Housing and Community Development Projects, commercial paper or COPs have previously been issued, reducing the remaining authorization below these amounts.

FISCAL IMPACT

The proposed resolutions replace revolving lines of credit of \$150,000,000 from Wells Fargo and \$100,000,000 from BMO Bank with a letter of credit of \$150,000,000 from TD Bank and a revolving line of credit \$100,000,000 from BMO Bank. The City would incur one-time estimated General Fund costs of \$750,000 for fees related to the new credit facilities for the City's bond counsel and municipal advisor, bank counsel, rating agency fees, and other related closing costs.

The City would incur estimated ongoing General Fund costs of \$1,633,040 per year to pay fees for the new credit facilities, as shown in Exhibit 4 below.

Exhibit 4: Estimated Ongoing Costs for \$250 Million Credit Facilities

Cost	Amount
Line of Credit Fee (.30% - .31%)	\$839,906
Dealer Fee (0.05%)	125,000
Other Fixed Expenses ¹⁰	
Credit Surveillance Fees	69,000
Issuing and Paying Agent Fee	17,250
Risk Management Property Insurance Premiums	581,884
<i>Subtotal Other Fixed Expenses</i>	<i>\$668,134</i>
Total	\$1,633,040

Source: OPF

The Commercial Paper Program currently has \$52,748,000 in outstanding commercial paper, as shown in Exhibit 5 below. To reduce interest costs to projects, commercial paper is not issued until the City has already paid invoices or billed hours to a project. Most capital projects initially use the commercial paper authority through appropriation release requests sent to the Controller's Office so that project staff can enter into contracts and begin work.¹¹ Once spending has occurred, project staff submit reimbursement requests to OPF, which results in commercial paper issuance.

¹⁰ The credit surveillance fee is for credit agencies to monitor the City's financial condition. The issuing and paying agent fee are for the coordination and issuance of the commercial paper by U.S. Bank, the City's paying agent. The risk management property insurance premiums refer to property insurance for the leased assets.

¹¹ Appropriations for debt issuances are typically placed on Controller's Reserve until funding is available.

Exhibit 5: Current Outstanding Commercial Paper

Issuance Date	Maturity Date	Project	Tax Status	Outstanding Principal Amount	Interest Rate
<i>Series 1 & 2 Commercial Paper</i>					
2/5/2026	3/5/2026	Street Resurfacing	Tax Exempt	\$21,393,504	2.30%
		Critical Repairs/Recovery			
2/5/2026	3/5/2026	Stimulus	Tax Exempt	\$12,514,356	2.30%
2/5/2026	3/5/2026	Police Vehicle Acquisition	Tax Exempt	\$1,356,731	2.30%
2/5/2026	3/5/2026	HOJ Tenant Improvements	Tax Exempt	\$1,995,410	2.30%
<i>Subtotal Series 1 & 2</i>				<i>\$37,260,000</i>	
<i>Series 3 Commercial Paper</i>					
2/5/2026	3/5/2026	HOPE SF	Taxable	\$4,327,296	3.75%
		Critical Repairs/Recovery			
2/5/2026	3/5/2026	Stimulus	Taxable	\$10,601,385	3.75%
		Affordable Housing/Community			
2/5/2026	3/5/2026	Development	Taxable	\$559,319	3.75%
<i>Subtotal Series 3</i>				<i>\$15,488,000</i>	
Total				\$52,748,000	

Source: OPF

Commercial paper is paid through the issuance of long-term debt, such as certificates of participation. As mentioned above, the use of commercial paper can reduce overall borrowing costs associated with the issuance of long-term debt because commercial paper interest rates are typically lower than long-term interest rates. For example, the interest rate on outstanding tax-exempt commercial paper is 2.30 percent (as shown above), which is less than the actual true interest cost of 3.42 percent for the City's most recent new money Certificates of Participation transaction that was issued in March 2025. Additionally, commercial paper can be issued for project costs on an as-needed basis as costs are incurred, which creates savings compared to issuing long-term Certificates of Participation for the entire project amount before construction and paying interest on the full amount borrowed through the construction period.

RECOMMENDATION

Approve the proposed resolution.