

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

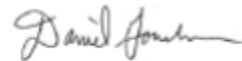
BUDGET AND LEGISLATIVE ANALYST

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June 16, 2022

TO: Budget and Appropriations Committee

FROM: Budget and Legislative Analyst



SUBJECT: June 16, 2022 Budget and Appropriations Committee Meeting

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Item 7 File 22-0693	Department: Recreation and Park
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution would authorize the first amendment to an agreement between the Recreation and Park Department and the Francisco Park Conservancy to provide the Francisco Park Conservancy a credit of up to \$443,000 against its obligation to fund maintenance at the Francisco Park over the next four years. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> In July 2016, the Board of Supervisors approved an agreement with the Francisco Park Conservancy to accept \$25,000,000 in construction and design services for the new Francisco Park and annual funding (now escalated to \$199,263) to pay ongoing maintenance. Park construction commenced in 2019 and was completed in April 2022. During construction, PG&E required that the park tie in for power two blocks away from the park site, further than anticipated. This required trenching two city blocks, resulting in the unexpected costs of approximately \$1,154,692. After deducting \$269,100 that Francisco Park Conservancy owed the Department for project management, the remaining unfunded cost for the PG&E requirements is \$885,592. The proposed amendment states that the Recreation and Parks Department will seek funding for the remaining \$885,592 in PG&E-related construction costs during the Board phase of the FY 2022-23 budget process and that the parties will split the remaining cost regardless of whether funding is secured. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The proposed amendment would cost the City up to \$443,000 in foregone revenue, to be credited against Francisco Park Conservancy's maintenance funding obligations for the next four years. Funding for the PG&E-related construction costs is not included in the Mayor's proposed budget for FY 2022-23 – FY 2023-24. <p style="text-align: center;">Policy Considerations</p> <ul style="list-style-type: none"> The Department reports that it is agreeing to split the cost related to PG&E construction requirements with the Francisco Park Conservancy despite the original agreement requiring Francisco Park Conservancy to cover all construction costs because the PG&E requirements were not part of the original construction budget. According to its 2021 financial statement, as of December 2021, the Francisco Park Conservancy had \$2,878,923 in cash and other financial assets available for general expenditure. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approval of the proposed resolution is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

City Charter Section 9.118(a) states that contracts entered into by a department, board, or commission that (1) have anticipated revenues of \$1 million or more, or (2) have anticipated revenues of \$1 million or more and require modifications, are subject to Board of Supervisors approval.

BACKGROUND

In 2014, the Board of Supervisors approved the jurisdictional transfer of the 3.29-acre Francisco Reservoir land from the San Francisco Public Utilities Commission (SFPUC) to the Recreation and Park Department (File 14-0782) for the creation of a new park in the Russian Hill neighborhood. In September 2014, the Recreation and Park Department and SFPUC entered into a Memorandum of Understanding (MOU) for the purchase of the land, in which the Recreation and Park Department would make payments to SFPUC totaling an estimated \$10,669,725 over 12 years, sourced from their Open Space Acquisition Fund.

Francisco Park Conservancy Agreement

In July 2016, the Board of Supervisors approved an ordinance authorizing the Recreation and Park Department to enter into an agreement with the Francisco Park Conservancy¹ to accept from the Francisco Park Conservancy \$25,000,000 in construction and design services for the new Francisco Park, and annual cash grants of approximately \$150,000 per year (now escalated to \$199,263) to pay for the Recreation and Park Department's costs for one full-time dedicated gardener and custodial staffing (File 16-0718). The agreement between the Francisco Park Conservancy and the Recreation and Park Department is for an initial term of 20 years, with three automatic 10-year extensions, for a total term of up to 50 years through 2066. Either party may terminate the agreement at the end of the initial 20-year term or the 10-year extensions.

Construction

Under the agreement, Francisco Park Conservancy is responsible for furnishing and funding labor, materials, management, and oversight for the design and construction of Francisco Park. Construction on the park began in 2019. According to the Recreation and Park Department, the Francisco Park Conservancy reports that they have spent approximately \$27.5 on park improvements since construction began in 2019. In April 2022, the park was opened to the public.

During construction, PG&E imposed requirements on the project resulting in the unexpected costs of approximately \$1,154,692. According to the Department, these costs were due to PG&E's requirement that the park tie in for power two blocks away from the park site, further than anticipated. This required trenching two city blocks, and the associated costs included paving work, and salaries for workers onsite. After deducting \$269,100 that Francisco Park Conservancy

¹ The Francisco Park Conservancy is a nonprofit public benefit corporation formed by Russian Hill neighbors in the 2014 for the purposes of designing and founding the Francisco Park.

owed the Department for project management, the remaining unfunded cost for the PG&E requirements is \$885,592. Deducting this pending payment reduces the cost to the City if both parties split the remaining costs related to the PG&E construction requirements.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the first amendment to an agreement between the Recreation and Park Department and the Francisco Park Conservancy. The amendment states that the Recreation and Parks Department will seek funding for the remaining \$885,592 in PG&E-related construction costs during the Board phase of the FY 2022-23 budget process and that the parties will split the remaining cost regardless of whether funding is secured.

FISCAL IMPACT

Under the proposed amendment, the City's share of the remaining costs may be credited against Francisco Park Conservancy's maintenance funding obligations for the next four years. The proposed amendment would cost the City up to \$443,000 in foregone revenue.

Funding for the foregone revenue is not included in the Mayor's proposed budget for FY 2022-23 – FY 2023-24; the gardener and custodial positions remain grant funded. Department staff report that it would be funded either from a future appropriation from the Department's Open Space Funds, or from an appropriation of a yet-to-be determined amount of "add-back" funds from the Board of Supervisors during the FY 2022-23 budget process.

Original Agreement Costs

The proposed foregone revenue is in addition to the City's estimated costs under the agreement's original terms: \$10,000 per year for materials and supplies related to park maintenance, and a one-time \$430,000² in General Fund costs (\$250,000 for environmental review and \$180,000 for Recreation and Park Department project manager to oversee the project).

POLICY CONSIDERATIONS

The proposed resolution seeks permission from the Board of Supervisors to amend the City's agreement with the Francisco Park Conservancy to allow the Department of Recreation and Park to credit up to half (\$443,000) of the \$885,592 construction funding gap resulting from the unanticipated PG&E construction requirements. The Department reports that it is agreeing to split the unanticipated construction costs with the Francisco Park Conservancy despite the original agreement requiring that Francisco Park Conservancy to cover all construction costs because this was an unforeseen requirement when the agreement was made. Recreation and Park staff report that the amended agreement would still provide funding for the City's ongoing

² The \$430,000 in funds were secured in the Department's FY 2016-17 budget through the Board of Supervisors budget review and re-appropriation process.

maintenance costs for Francisco Park, which we calculate will total approximately \$17.5 million through FY 2065-66, after accounting for the proposed \$443,000 reduction in maintenance obligations.³

According to its 2021 financial statement, as of December 2021, the Francisco Park Conservancy had \$2,878,923 in cash and other financial assets available for general expenditure.

RECOMMENDATION

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

³ Assuming the current cost of approximately \$200,000 escalate by 3% per year over 44 years.