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: May 15, 2024 Budget and Finance Committee Meeting

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Item 2 File 23-0354	Department: Technology

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the second amendment to the City's contract with Carahsoft Technology Corp. (Carahsoft) for Citywide use of a suite of Salesforce software products.
- The proposed second amendment would increase the contract's not-to-exceed amount by $10,900,109, from $9,725,000 to $20,625,109. It would extend the agreement's term by five years, from a term ending June 30, 2025 to a term ending June 30, 2030.

Key Points

- City departments use Salesforce software to track, analyze and respond to customer requests about public services. Salesforce has designated the vendor Carahsoft Technology Corp. (Carahsoft) as its only distributor for the City.
- To avoid the markup fees charged by resellers and obtain a volume-based discount, the Department of Technology negotiated a Citywide purchase agreement directly with Salesforce and Carahsoft. The original agreement was executed in 2016, with a not-to-exceed amount of $5,725,000 and a five-year term ending June 30, 2021. The first amendment, executed in 2021, raised the not-to-exceed amount to $9,725,000 and extended the term through June 30, 2025.
- Annual spending has generally grown as departments have added new users and products and as new departments have purchased software. The Department of Technology anticipates that funding under Citywide purchases under the existing contract will reach the current not-to-exceed amount by the end of FY 2023-24, a year prior to the end of the contract's amended term. The proposed second amendment would authorize spending authority for FY 2024-25 and five additional years.

Fiscal Impact

- The proposed resolution would increase the not-to-exceed amount of the City's agreement with Carahsoft by $10.9 million.
- Historical spending by department indicates that approximately one-third of contract spending is funded by the General Fund and two-thirds is funded by enterprise and other special revenue. Over the next six fiscal years, we estimate that $3.6 million of the requested $10.9 million will be funded by the General Fund.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

City Departments use Salesforce products to manage and respond to customer requests. Salesforce has designated the vendor Carahsoft Technology Corp. (Carahsoft) as its only distributor for the City. Carahsoft sells Salesforce software in two ways: 1) directly to purchasers, and 2) through resellers, which charge a markup.

Starting in 2015, a small number of City departments started using Salesforce products, purchasing this software in separate deals with resellers that had bought distribution rights from Carahsoft. At the request of five departments, the Department of Technology (the Department) subsequently negotiated a Citywide purchase agreement directly with Salesforce and Carahsoft, which took effect in 2016. In addition to avoiding the markup fees charged by resellers, this resulted in a 35% volume-based discount.

To complete the 2016 procurement, the Department obtained a sole-source waiver, citing the fact that Carahsoft is the only distributor providing access for the City to Salesforce software. Six months after the agreement was finalized, the list of departments purchasing Salesforce software had grown to 14 departments. Nineteen departments have now purchased software under the agreement.

The original agreement between the City and Carahsoft was executed in 2016, with a not-to-exceed amount of $5,725,000 and a five-year term ending June 30, 2021. The first amendment, executed in 2021, raised the not-to-exceed amount to $9,725,000 and extended the term through June 30, 2025. Neither agreement required Board of Supervisors approval because they were under $10 million and had a term of less than ten years.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the second amendment to the City's contract with Carahsoft Technology Corp. (Carahsoft) for Citywide use of a suite of Salesforce software products. The proposed second amendment would increase the contract's not-to-exceed amount by $10,900,109, from $9,725,000 to $20,625,109. It would also extend the agreement's term by five years, from June 30, 2025, to June 30, 2030.

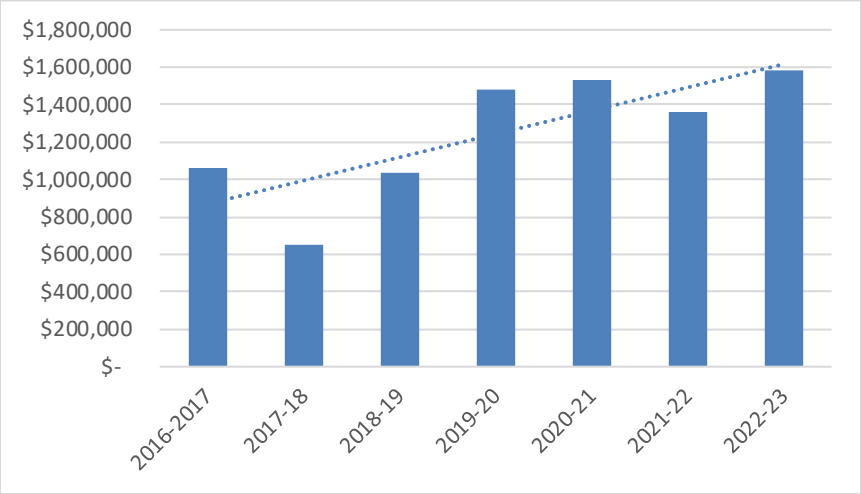
Under the City's contract with Carahsoft, the City pays for software access based on the number of products and users. Since Fiscal Year 2016-17, annual spending has generally grown as departments have added new users and products and as new departments have purchased software. As a result, the Department anticipates that funding under Citywide purchases under

the existing contract will reach the current not-to-exceed amount by the end of Fiscal Year 2023-24, a year prior to the end of the contract's amended term. The proposed second amendment would authorize spending authority for FY 2024-25 and five additional years.

Spending to Date

Between FY 2016-17 and FY 2022-23, citywide spending through this contract increased 49%, from approximately $1.1 million in FY 2016-17 to approximately $1.6 million in FY 2022-23. Exhibit 1 below shows citywide spending by year through FY 2022-23.

Exhibit 1: Actual Spending by Fiscal Year



Source: Department of Technology

Note: The graph shows only complete fiscal years. As of April 30, 2024, year-to-date spending for 2023-24 was $896,117.

For FY 2022-23, the San Francisco Municipal Transportation Agency spent the most of any department ($535,653), followed by the Office of the Mayor ($231,405) and the Public Utilities Commission ($187,946). Exhibit 2 below shows department spending to date, including FY 2023-24 spending, by department.

Exhibit 2: Actual Spending by Department

Department	Spending to Date ($)
Municipal Transportation Agency	2,349,470
Mayor	1,537,148
Technology	1,218,388
Public Utilities Commission	1,015,534
Board of Supervisors	616,139
Health Service System	592,217
Police Accountability	573,466
Controller	384,612
Economic & Workforce Development	347,532
Environment	311,811
City Administrator	252,558
Arts Commission	129,394
Human Services Agency	94,060
Recreation & Park Commission	43,311
Sheriff Accountability OIG	51,048
Board of Appeals	27,378
Early Childhood	26,460
Assessor / Recorder	23,317
District Attorney	5,616
Total	**$9,599,460**

Source: Department of Technology

Note: Totals include FY 2023-24 spending through April 30, 2024.

Cost Control

The Department of Technology works with city departments prior to purchasing software to identify the most cost-efficient purchases that meet their needs. This process includes reviewing every department request to purchase a new product, working with departments to identify the lowest-cost products that meet their needs, and helping departments minimize the number of user licenses purchased.

Cost Reasonableness

According to the Department, the 35% discount offered by Carahsoft exceeds the discount offered in 2016 to the National Association of State Procurement Officers (4% to 5%) and offered to the State of California in recent years (2% to 10%).

In the absence of the Department's contract with Carahsoft, departments would once again rely on individual agreements with resellers to obtain Salesforce access. According to the Department, this would result in an estimated increase of more than 50% in annual Citywide spending on this software.

FISCAL IMPACT

The proposed resolution would increase the not-to-exceed amount of the City's agreement with Carahsoft by $10,900,109, from $9,725,000 to $20,625,109. It would extend the term by five years, from the current term ending on June 30, 2025, to a new term ending on June 30, 2030.

To calculate the not-to-exceed amount, the Department estimated annual spending of $1,579,726, equal to total spending in FY 2022-2023, the most recent complete fiscal year. The Department then added a 15% contingency. Exhibit 3 below shows a breakdown of the not-to-exceed amount. Costs are based on the number of licenses and log-ins to Salesforce products.

Exhibit 3: Actual and Proposed Spending

Current Contract	
FY 2016-17	$1,059,950
FY 2017-18	648,305
FY 2018-19	1,036,875
FY 2019-20	1,482,650
FY 2020-21	1,535,734
FY 2021-22	1,360,103
FY 2022-23	1,579,726
FY 2023-24*	1,021,658
Current Contract	**$ 9,725,000**
Proposed Amendment	
FY 2024-25	$ 1,579,726
FY 2025-26	1,579,726
FY 2026-27	1,579,726
FY 2027-28	1,579,726
FY 2028-29	1,579,726
FY 2029-30	1,579,726
Subtotal, Proposed Amendment	**$9,478,355**
Contingency (15%)	$1,421,753
Not to Exceed Amount	**$20,625,109**

Source: Department of Technology

Note: Actual spending in FY 2023-24 is capped at $1,021,658 under the current contract's not-to-exceed amount. However, year-to-date spending through April 30, 2024 was $896,117, indicating spending is on pace to reach $1,075,341 for FY 2023-24 should the not-to-exceed amount of the contract be increased.

Funding Source

Historical spending by department indicates that approximately one-third of contract spending is funded by the General Fund and two-thirds is funded by enterprise and other special revenue. Over the next six fiscal years, we estimate that $3.6 million of the requested $10.9 million will be funded by the General Fund.

RECOMMENDATION

Approve the proposed resolution.

Item 3 File 24-0443	Department: Mayor's Office of Housing and Community Development

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a $20.9 million Loan Agreement between MOCHD and Chinatown SROs LLC (Chinatown Community Development Cener), for permanent financing for 1005 Powell Street, a Small Sites Project. It also approves a City Option to Purchase, a Promissory Note, and a Deed of Trust to secure the loan.

Key Points

- 1005 Powell is a five-story building with 64 single room occupancy units and two commercial spaces in Chinatown. As of February 2024, all of the residential units were occupied but both commercial spaces were vacant. The building includes communal bathrooms and kitchens.
- Chinatown SROs LLC, the Project Sponsor and an affiliate of Chinatown Community Development Center (CCDC), acquired and rehabilitated the property in 2021 with financing from the San Francisco Housing Accelerator Fund. The proposed loan would pay down acquisition and rehabilitation costs, including accrued interest on funding provided by the Housing Accelerator Fund and Chinatown Community Development Center. The proposed loan also includes a sinking fund to offset operating deficits projected following the expiration of a Senior Operating Subsidy in Year 15 of the project.

Fiscal Impact

- Funding for the proposed loan is sourced from Academy of Art settlement monies ($17.9 million), the Housing Stability Fund ($2.1 million), and the General Fund ($1 million).
- The loan amount is consistent with Small Site Program Guidelines.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

Small Sites Program

The Small Sites Program (SSP), administered by the Mayor's Office of Housing and Community Development (MOHCD), was created in 2014 to provide loans for acquiring and rehabilitating multi-family rental buildings of five to 25 units. The Program has issued two Notices of Funding Availability (NOFA), one in 2014 and an updated one in 2019. MOHCD issued updated SSP guidelines in September 2022. The new guidelines prioritize sites that have between five and 40 units, though larger buildings are also considered.

1005 Powell Street

1005 Powell is a five-story building with 64 single room occupancy units and two commercial spaces in Chinatown. As of February 2024, all of the residential units were occupied but both commercial spaces were vacant. The building includes communal bathrooms and kitchens.

Chinatown SROs LLC, the Project Sponsor and an affiliate of Chinatown Community Development Center (CCDC), acquired and rehabilitated the property with financing from the San Francisco Housing Accelerator Fund (SFHAF)[1] and is now requesting permanent financing from the City. The Project Sponsor purchased the property in December 2021 for $3.75 million which was below the $4.3 million as-is value, as appraised by R. Blum & Associates in November 2021, according to the MOHCD loan evaluation. Construction hard costs totaled $9.2 million and was completed in January 2024. Rehabilitation work was extensive and included asbestos and lead abatement, seismic retrofit, replacing wood structures, upgrading windows, replacing doors and fixtures, painting, as well as accessibility and building system upgrades. The Project Sponsor also funded $348,000 of tenant improvements to three commercial spaces, including upgrading an unused laundromat space and converting one space into a property management office. The Project Sponsor is also temporarily leasing a commercial space previously used as a hair salon but plans to market the space to a long-term commercial tenant to improve project income.

Selection

The Project Sponsor applied to the 2014 Small Sites Program NOFA, which awards funding on a rolling basis, and MOHCD determined that the Project was eligible for funding. According to the

[1] The HAF is a non-profit organization that provides bridge financing for preservation projects after MOHCD provides a soft commitment letter indicating that the City intends to repay the bridge loan.

2022 Small Sites Program Scoring Rubric, the Project would receive a score of 84 points out of 100 points possible, which exceeds the minimum score of 70 points to receive funding. However, the project was underwritten in 2022 before the scoring rubric was implemented.

In December 2021, MOHCD provided a soft commitment letter to the Project Sponsor that the City would provide up to $20.9 million in permanent financing to repay the HAF loan.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a $20.9 million Loan Agreement between MOCHD and Chinatown SROs LLC (Chinatown Community Development Cener), for permanent financing for 1005 Powell Street, a 64-unit Small Sites Project. It also approves a City Option to Purchase, a Promissory Note, and a Deed of Trust to secure the loan.

The resolution would also (a) affirm the Planning Department's determination under the California Environmental Quality Act; (b) adopt findings that the proposed transaction is consistent with the General Plan and the eight priority policies of the Planning Code; and (c) authorize the Director of MOCHD to execute loan documents and amend loan documents as needed.

Loan Agreement and Repayment

The proposed loan agreement provides for a loan amount not to exceed $20.9 million. The loan has a 40-year term, accrues three percent simple interest, and annual loan payments are only due if the project generates residual income (see discussion below). The principal and accrued interest are due to the City when the loan matures.

Required Rents

A Declaration of Restrictions that accompanies the loan agreement outlines the rents for all units for existing tenants. Rents for units that become vacant will be set so that the combined average rents for all units are equal to 30 percent of 60 percent of Area Median Income. The document notes that 35 of the 64 units are subsidized by a Senior Operating Subsidy grant, approved by the Board of Supervisors in April 2024 (File 24-0233). The affordability restrictions have been in place for 99 years.

The proposed loan requires approximately one-third of the 64 units to increase rents by five percent annually until the households pay 20 percent of their income on rent, consistent with MOHCD's Small Site Program Guidelines.

Option to Purchase

The Purchase Option Agreement grants the City the option to purchase the property if the owner fails to comply with the affordability restrictions, if the Declaration of Restrictions is terminated, or if the owner receives another offer to purchase the properties after the City's loan is repaid.

FISCAL IMPACT

The City will provide up to $20.9 million to Chinatown SROs LLC for the acquisition and rehabilitation of 1005 Powell Street. Exhibit 1 summarizes the uses of the proposed loan.

Exhibit 1: Uses of Proposed Loan

Uses	Amount
Acquisition & Rehabilitation	$18,108,688
Soft Costs	360,325
Reserves	1,690,687
Developer Fees	740,000
Total Uses	**$20,899,700**

Source: MOHCD

Acquisition costs totaling $18.1 million include $3.75 million in purchase costs (which was less than the appraised value at the time of purchase), $12.98 million in rehabilitation costs, and $1.4 million in accrued interest from the HAF loan. Reserves total $1.69 million and include Operating Reserves of $175,687, Replacement Reserves of $350,000, and a Sinking Fund of $1,165,000, discussed below.[2] Total costs also include $740,000 in developer fees and $360,325 in soft costs, including $320,625 accrued interest on CCDC's $2.5 million loan to originally acquire the site.[3]

Funding Sources

The proposed loan is funded by:

- $17,879,640 from Academy of Art settlement monies (File 19-1125)
- $2,050,460 from the Housing Stability Fund
- $1,000,000 from the General Fund

City Subsidy

SSP program guidelines establish the maximum City subsidy per unit for acquisition, rehabilitation, and permanent financing based on the unit type, ranging from $275,000 for each single room occupancy unit up to $550,000 per ADU studio unit, plus commercial units and multiplier, depending on how the project scores against Small Site Program Criteria. The MOHCD

[2] Operating Reserves support unanticipated operating costs for at least 20 years, such as vacancy rates above 10 percent, and Replacement Reserves support the project's capital needs over time. SSP Guidelines require an operating reserve equal to 25 percent of the first-year operating budget and a replacement reserve equal to the greater of $2,000 per unit or the amount needed to fund replacement costs for the next 10 years (based on an approved Capital Needs Assessment).

[3] CCDC's loan repayment is reduced by $348,000 in the proposed permanent loan, which is the amount of funding the organization paid for commercial space tenant improvements and which are not eligible for Small Site Program funding.

Director can approve funding above the maximum guidelines if the project meets minimum scoring requirements.

The proposed Small Site Loan is $20.9 million or $316,667 per unit (assuming 64 residential units and two commercial units), which is consistent with the Department's Small Sites Program Guidelines (effective September 2022).

Operating Revenues and Expenses

According to the 20-year cash flow analysis for the project, the project's revenues, together with commercial revenues, are not sufficient to cover operating expenses starting in Year 13 of the project. For this reason, the proposed loan includes a $1.16 million Sinking Fund, which will be used to offset operating losses projected starting in Year 13 of the project. The proposed loan requires CCDC to also fund a Sinking Fund at $185,500 per year for the first ten years of the project, which will cover operating deficits starting in Year 16. Operating deficits are less than $10,000 per year in project Years 13 – 15, however they increase to approximately $600,000 per year following the expiration of the Senior Operating Subsidy.

RECOMMENDATION

Approve the proposed resolution.

Items 5 & 6 Files 24-0422, 24-0423	Department: Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolutions would authorize the Director of Property to execute the following leases with Trinity Center, LLC for office space at 1145 Market Street: (1) 20,000 square feet for the Law Library, with initial annual rent of $599,000 (File 24-0422); and (2) 19,659 square feet for the Health Service System (HSS), with initial annual rent of $588,787 (File 24-0423). Each lease would have an initial term of approximately 10 years and two months, two five-year options to extend, and three percent annual rent escalation.

Key Points

- The City has leased office space at 1145 Market Street since at least 1997. The Law Library and HSS each lease space at 1145 Market Street, with leases that expired in 2023 and remain in holdover status. The Real Estate Division (RED) has negotiated new leases with the landlord for the Law Library and HSS.
- Under the proposed leases, the Law Library would remain in the same offices on the 2nd and 4th floors. HSS would move a portion of its space from the 1st floor to the 2nd floor, which would help to consolidate its operations into consecutive floors (2nd and 3rd floors). The HSS lease includes a $325,200 tenant allowance, which RED anticipates will be sufficient for all costs associated with the move and buildout. An appraisal has determined that the proposed initial annual rent of $29.95 per square foot is at or below fair market rent.

Fiscal Impact

- The proposed leases would have initial annual rents of $29.95 per square foot, or $599,000 for the Law Library lease and $588,787 for the HSS lease, for a total of $1,187,787 between the two leases. Over the initial 10-year and two-month terms of the leases, the City would pay approximately $13,814,612 in total rent. If an option to extend the term for one or both leases is exercised, the rent for the extension term would be set at 95 percent of fair market rent at that time.
- Compared to the holdover rental rates currently paid, the City would save approximately $933,831 in initial annual rent with the proposed rental rate of $29.95 per square foot.

Recommendation

- Approve the proposed resolutions.

MANDATE STATEMENT

City Administrative Code Section 23.27 states that any lease with a term of one year or longer and where the City is the tenant is subject to Board of Supervisors approval by resolution.

BACKGROUND

The City has leased office space at 1145 Market Street since at least 1997. City departments located at 1145 Market Street include the Health Service System (HSS) and Law Library, as follows:

- The Law Library leases approximately 20,000 square feet on the 2nd and 4th floors. The lease expired on June 30, 2023 and remains in holdover status at an annual rental rate of $1,180,000, or $59 per square foot.[1]
- HSS leases approximately 19,560 square feet on the 1st and 3rd floors and pays annual rent of $941,565 ($48.14 per square foot). HSS's lease expired on November 30, 2023, and the landlord has allowed the City to continue paying the same rental rate.

The Real Estate Division (RED) has negotiated new leases with the landlord for HSS and the Law Library.[2]

DETAILS OF PROPOSED LEGISLATION

The proposed resolutions would authorize the Director of Property to execute the following leases with Trinity Center, LLC for office space at 1145 Market Street:

- **File 24-0422** approves a lease of approximately 20,000 square feet for the Law Library on the 2nd and 4th floors, with initial annual rent of $599,000 ($29.95 per square foot), with three percent annual escalation.
- **File 24-0423** approves a lease of approximately 19,659 square feet for HSS on the 2nd and 3rd floors, with initial annual rent of $588,787 ($29.95 per square foot), with three percent annual escalation.

Each lease would have an initial term of approximately 10 years and two months from June 2024 through July 2034, with two five-year options to extend through July 2044.[3] The proposed

[1] Under State Law, the 1870 Act, the City and County of San Francisco is required to provide a Law Library for public use. The 1870 Act established the Law Library as a legal entity, separate from the City and County, and requires the Board of Supervisors to appropriate General Fund monies for "fuel, lights and stationary and all necessary conveniences and care, rooms convenient and accessible to the Courts, sufficient for the use and accommodation of said law library and those who have occasion for its use."

[2] In addition, RED and the landlord agreed to a separate lease for office space on Floors 1, 8, 9, 10, and 11 for the Department of Public Health (DPH), Drug Market Agency Coordination Center (DMACC), and Office of Civic Engagement and Immigrant Affairs (OCEIA), which was approved by the Board of Supervisors in April 2024 (File 24-0347).

[3] The draft leases included in the legislative files each incorrectly state that there is only one five-year option to extend. According to Transaction Team Manager Suess, corrected leases will be submitted to the files in advance of the May 15, 2024 Budget and Finance Committee meeting.

resolutions authorize the Director of Property to execute any amendments to the leases, including options to extend (while providing notice to the Board of Supervisors).

The key terms of the proposed leases are shown in Exhibit 1 below.

Exhibit 1: Key Terms of Proposed Leases

Premises	Law Library (File 24-0422): 20,000 square feet on Floors 2 and 4 HSS (File 24-0423): 19,659 square feet on Floors 2 and 3
Term	Approximately 10 years and 2 months, from June 2024 through July 2034
Options to Extend	Two 5-year options to extend through July 2044. Rent reset to 95% of fair market value.
Annual Base Rent	$29.95 per square foot ($599,000 for Law Library, $588,787 for HSS)
Rent Escalation	3% annually
Tenant Allowance	$325,200 for the HSS lease (none for Law Library)
Electrical Costs	City pays Landlord as a passthrough cost without markup
Operating Costs	City pays percentage share of increase in operating costs over base year (2025)

Source: Proposed leases

An appraisal conducted by Colliers International has determined that the proposed annual rent of $29.95 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 Law Library would remain in the same offices on the 2nd and 4th floors and therefore does not need a tenant improvement or moving allowance. HSS would move a portion of its space from the 1st floor to the 2nd floor, which would help to consolidate its operations into consecutive floors (2nd and 3rd floors). According to Jeff Suess, Transaction Team Manager, RED anticipates that the $325,200 allowance will be sufficient to cover all costs associated with the move and buildout. The landlord would also provide swing space on an upper floor for HSS to use during the move.

The Law Library lease would commence after Board of Supervisors and Mayor approval, on approximately June 1, 2024. The HSS lease would commence after approvals and the 2nd floor buildout is complete, which Transaction Team Manager Suess anticipates will be approximately June 15, 2024.

FISCAL IMPACT

The proposed leases would have initial annual rents of $29.95 per square foot, or $599,000 for the Law Library lease and $588,787 for the HSS lease, for a total of $1,187,787 between the two leases. Over the initial 10-year and two-month terms of the leases, the City would pay approximately $13,814,612 in total rent.[4] If an option to extend the term for one or both leases is exercised, the rent for the extension term would be set at 95 percent of fair market rent at that time.

Compared to the holdover rental rates currently paid, the City would save approximately $933,831 in initial annual rent with the proposed rental rate of $29.95 per square foot.

[4] This amount assumes rent for the full two-month period of June and July 2024 at the Year 1 rental rate.

Under the leases, the City would pay its percentage share of the increase in the building's operating expenses over the base year. Based on the percentage of leased premises in the building, the combined percentage share of the two leases is 30.36 percent. The base year would be calendar year 2025, so the City would begin paying operating costs in 2026. RED cannot estimate the operating costs at this time. The City would also pay electrical costs as a direct passthrough from the landlord. RED estimates that initial electrical costs are approximately $1 per square foot, or $39,659 between the two leases.

Rent would be paid by the Law Library and HSS, which are primarily funded by the City's General Fund.

RECOMMENDATION

Approve the proposed resolutions.

Item 7 File 24-0331	Department: Police Department (Police)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would de-appropriate $4,750,000 in permanent salaries and appropriate $4,750,000 in overtime in the San Francisco Police Department (SFPD) Airport Bureau.

Key Points

- Administrative Code Section 3.17 states that certain departments must obtain a supplemental appropriation to exceed the overtime budgets in their annual operating funds. In April 2024, the Board of Supervisors approved an ordinance de-appropriating from permanent salaries and benefits and appropriating to overtime in five department budgets, including SFPD. Due to an oversight, the SFPD overtime appropriation did not include the Airport Bureau. The Airport Bureau exceeded its overtime budget in February 2024.
- The need for additional overtime funds is largely due to vacancies, as SFPD separations have outpaced new hires in recent years, and overtime has been used to backfill vacant positions. Additionally, overtime has been used to enhance staffing for the Asia Pacific Economic Cooperation (APEC) conference, increase patrol presence at the BART station, and trespassing enforcement. The Police Bureau anticipates that additional overtime will be needed as passenger loads increase for summer travel and for dignitary visits associated with the 2024 Presidential Election.

Fiscal Impact

- The proposed ordinance shifts $4,750,000 in savings from permanent salaries to overtime in the SFPD Airport Bureau. The Airport Bureau is paid for by Airport operating funds, not the General Fund.
- To avoid future supplemental appropriations, the SFPD Airport Bureau has requested an increase to its overtime budget in the upcoming two-year budget from $2.9 million to approximately $10.5 million in FY 2024-25 and $9.9 million in FY 2025-26.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT

Charter Section 9.105 provides that amendments to the Annual Appropriation Ordinance be subject to Board of Supervisors approval by ordinance, after the Controller certifies the availability of funds.

Administrative Code Section 3.17 states that the Airport; Department of Emergency Management; Fire Department; Police Department; Department of Public Health; Public Utilities Commission; Department of Public Works; Recreation and Park Department; and Sheriff must obtain a supplemental appropriation to exceed the overtime budgets in their annual operating funds.

BACKGROUND

In April 2024, the Board of Supervisors approved an ordinance that de-appropriated $84,988,592 from permanent salaries, mandatory fringe benefits, and programmatic projects and appropriated $89,759,299 to overtime in five department budgets including the San Francico Police Department (SFPD) (File 24-0125). Due to administrative oversight, the SFPD overtime appropriation did not include the Airport Bureau. Like other SPFD divisions, the Airport Bureau has incurred overtime to backfill vacant positions and is projected to exceed its overtime budget in FY 2023-24.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would de-appropriate $4,750,000 in permanent salaries and appropriate $4,750,00 in overtime in the SFPD Airport Bureau FY 2023-24 budget. The Airport Bureau exceeded its FY 2023-24 overtime budget in the pay period ending February 2, 2024.

FISCAL IMPACT

The proposed appropriation would increase the SFPD Airport Bureau's overtime budget by $4,750,000, or approximately 95 percent. Exhibit 1 below summarizes the Airport Bureau's FY 2023-24 approved budget, the resulting increase from the proposed ordinance, and FY 2022-23 actual expenditures. The Airport Bureau is paid for by Airport operating funds, not the General Fund.

Exhibit 1: SFPD Airport Bureau FY 2023-24 Overtime Budget and Proposed Increase

FY 2023-24 Overtime Budget	$4,987,466
Proposed Increase in Ordinance	4,750,000
New Overtime Budget	$9,737,466
Percent Increase	95%
FY 2022-23 Actual Overtime Expenditures	$4,552,111
New Overtime Budget, as Percent of FY 2022-23 Actual Expenditures	214%

Source: Proposed ordinance, SFPD

According to Emily Yee, SFPD Airport Bureau Fiscal Services Program Manager, the permanent salaries surplus largely due to vacancies, as SFPD separations have outpaced new hires in recent years. The Airport Bureau has 27 vacant sworn positions out of 242 sworn positions, for a vacancy rate of approximately 11 percent. Additionally, the Airport Bureau has 17 vacancies in the Traffic Division, including 15 in the 9209 Police Service Aide position out of 200 budgeted positions, for a 7.5 percent vacancy rate. The Airport Bureau projects that FY 2023-24 permanent salaries will total approximately $30.9 million, compared to a budgeted amount of $47.8 million, for a projected surplus of $16.9 million. However, the Airport Bureau projects FY 2023-24 overtime expenditures of approximately $9.2 million, compared to a budgeted amount of $5.0 million, for a projected deficit of $4.2 million. The Airport Bureau is requesting a $4.75 million appropriation to provide a buffer in case overtime expenditures increase in the final two months of the fiscal year.

According to Fiscal Services Program Manager Yee, overtime has primarily been used to backfill vacant positions, enhance staffing for the Asia Pacific Economic Cooperation (APEC) conference, increase patrol presence at the BART station, and trespassing enforcement. The Police Bureau anticipates that additional overtime will be needed as passenger loads increase for summer travel and for dignitary visits associated with the 2024 Presidential Election.

To avoid future supplemental appropriations, the SFPD Airport Bureau has requested an increase to its overtime budget in the upcoming two-year budget from $2.9 million to approximately $10.5 million in FY 2024-25 and $9.9 million in FY 2025-26. This may provide sufficient overtime in the Airport Bureau if additional separations are not replaced and the Airport does not add new requests for service without reducing BART patrols and trespassing enforcement. Additionally, the Airport Bureau is using approximately 38 retirees to help backfill vacant positions, as allowed under City Charter Section A8.511(c), which allows retirees to work for up to 960 hours per year while also receiving a pension. However, these workers are not considered sworn officers and cannot carry out all functions. Approximately 37 retirees are serving as Community Ambassadors, and one is serving in Police Records.

RECOMMENDATION

Approve the proposed ordinance.