

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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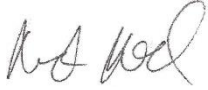
TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: September 11, 2024 Budget and Finance Committee Meeting

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Item 1 File 24-0782	Department: Controller, City Administrator
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed ordinance would authorize the sale of not to exceed \$61,375,000 in Certificates of Participation (COPs) and approve documents associated with the transaction. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> The City's ten-year capital plan is updated every two years. The Capital Plan for FY 2024-2033 provides for \$527.0 million of Certificates of Participation debt (COPs) over the ten-year term, including \$30.0 million in FY 2024-25 for critical repairs projects. The adopted budget for FY 2024-26 includes \$61,375,000 in FY 2024-25 for Critical Repair projects (\$21.1 million), Street Resurfacing projects (\$23.9 million), and associated costs, including a reserve for market uncertainty. The proposed ordinance also rescinds \$60,415,000 in a prior COP authorization. According to Office of Public Finance staff, the project costs associated with this authorization were fully funded through issuance of a lower actual principal amount due to market conditions at the time of sale. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> According to the Office of Public Finance memo, estimated average annual debt service on the estimated \$56.8 million COPs issuance amount is approximately \$5.9 million. Total debt service over the anticipated 25-year term is approximately \$118.9 million, which includes approximately \$56.8 million in principal and \$62.1 million in interest and true interest cost of 6.70 percent. Debt service will be paid from the City's General Fund. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> While not typically funded by COPs, Street Resurfacing would receive \$23.9 million from the proposed COPs because streets did not receive a General Fund allocation in the Capital Budget in FY 2024-25 as previously planned. Street Resurfacing also received a total of \$62.8 million in funding from the FY 2022-23 and FY 2023-24 COPs to offset reductions in General Fund funding for streets. There is similarly no General Fund allocation budgeted in FY 2025-26. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed ordinance. 	

MANDATE STATEMENT

City Administrative Code Section 10.62(b) states that the Board of Supervisors may authorize the issuance of Certificates of Participation (COPs) and other lease financing debt to fund capital projects provided the annual debt service cost of such outstanding general fund appropriation debt does not exceed 3.25 percent of discretionary revenue as determined by the Controller and Director of Public Finance. Administrative Code Section 10.62(c) states that the Director of Public Finance may issue tax-exempt and taxable commercial paper notes to provide interim funds to finance the acquisition, construction and rehabilitation of capital improvements and capital equipment, subject to the project's and financing plan's approval by the Board of Supervisors and Mayor.

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**Ten-Year Capital Plan**

The City's ten-year capital plan is updated every two years. The Capital Plan for FY 2024-2033 provides for \$527.0 million of Certificates of Participation debt (COPs) over the ten-year term, including \$30.0 million in FY 2024-25 for critical repairs projects. Some capital projects that would normally be funded with cash are being deferred or considered for COPs funding due to budget constraints.

Prior Authorizations

The Board of Supervisors authorized COPs issuance of \$67.5 million for FY 2021-22, \$140.0 million for FY 2022-23, and \$77.17 million for FY 2023-24 (Files 21-0645, 22-0683, and 23-0833). The COPs proceeds were to be used for critical repair projects, recovery stimulus projects, and street repaving. According to Office of Public Finance staff, the City issued the first series of COPs in November 2023 (Series 2023B) totaling \$80.04 million. Series 2023B financed \$75.87 million in projects authorized under the FY 2021-22 and FY 2022-23 authorizations, reflecting approximately 47 percent of \$160.8 million in total project costs across the two authorizations. Capital projects with authorized COPs funding are often initially funded with short-term commercial paper, and the Office of Public Finance will issue additional series of COPs when staff are certain that project funds will be spent within three years of issuance.¹ There is approximately \$204.63 million in authorization remaining across the three authorizations, including \$127.46

¹ The Internal Revenue Service requires that tax-exempt debt be spent within three years of debt issuance. Therefore, the Office of Public Finance will schedule debt issuances to ensure compliance with IRS rules.

million from the FY 2021-22 and FY 2022-23 authorizations and \$77.17 million from the FY 2023-24 authorization. Office of Public Finance staff currently assume that the next COPs issuance will occur in Spring 2025.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would:

- authorize sale of up to \$61,375,000 of Certificates of Participation in one more series on a tax or tax-exempt basis
- authorize use of the proceeds to pay for issuance costs, capital project costs, or to retire related commercial paper
- authorize a competitive, negotiated, or direct placement sale for the COPs
- authorize the Director of Public Finance to appoint underwriters for a negotiated sale, appoint a placement agent for a direct placement or award a bid to a bidder with the lowest true interest cost for a competitive sale
- approve the form of the Supplement to the Trust Agreement between the City and U.S. Bank National Association, as Trustee
- approve the form of the Supplement to the Property Lease between the City and U.S. Bank National Association
- approve the Supplement to the Project Lease for Laguna Honda Hospital, One South Van Ness, and County Jail Complex for additional base rent
- approve the form of the preliminary and final Official Statement
- approve the form of the Official Notice of Sale and Notice of Intention to Sell the COPs
- approve the form of the Continuing Disclosure Certificate
- approve the form of a Purchase Contract for the COPs
- grant authority to City officials to modify the aforementioned documents in furtherance of the COPs sale

Partial Rescission of Prior Authorization

The proposed ordinance also rescinds \$60,415,000 in a prior COP authorization. In May 2023, the Board of Supervisors authorized issuance of \$275,000,000 in COPs to refund four previously issued COPs series. According to the Office of Public Finance memo on the proposed COPs authorization, the City fully refunded the COPs with \$214,585,000, or \$60,415,000 less than the authorized amount, due to market conditions at the time of sale. Rescinding the remaining authorized issuance amount of \$60,415,000 reduces the City's reporting obligations on the authorized and unissued amount.

FY 2024-25 COPs Issuance*Supplement to Property and Project Leases, and Trust Agreement*

COPs are structured as a lease-lease back, in which the City leases the City-owned property to the Trustee and leases back the property. The City would enter into the one or more Supplements to existing Property and Project Leases and Trust Agreement with U.S. Bank National Association, in which the City-owned Laguna Honda Hospital campus at 375 Laguna Honda Boulevard, One South Van Ness at 1 South Van Ness Avenue, and the San Bruno Jail Complex at 1 Moreland Drive in San Bruno would serve as the leased property to secure the proposed COPs. The City may add or substitute properties to the Master Lease as needed.

Commercial Paper

Under separate legislative approval, the City may issue commercial paper, a form of short-term debt, in advance of issuing COPs to fund project costs and then use COPs proceeds to repay related commercial debt obligations. According to the Office of Public Finance memo, of the \$250 million in commercial paper authority, \$198 million has been released from Controller's Reserve and \$41 million is outstanding as of July 22, 2024.

Method of Sale

According to Office of Public Finance staff, the Office will work with their municipal finance advisor to determine the best method of sale of the COPs, whether competitive, negotiated, or direct placement based on market conditions at that time. If the City chooses to pursue a negotiated sale, as authorized by the proposed ordinance, the Office of Public Finance will use the City's Underwriting Pool, which was selected via a competitive process.

Projects and Uses of Proceeds

The proposed ordinance would increase the COPs funding amount for capital projects in FY 2024-25 by \$15.0 million compared to the Adopted Capital Plan to partially offset a \$38 million reduction in General Fund contribution to the Capital Budget in FY 2024-25 compared to the Adopted Plan.² The Capital Plan for FY 2024-2033 provided for issuance of \$30.0 million in COPs in FY 2024-25 to fund Critical Repair projects and the proposed ordinance approves \$45.0 million to fund projects, including approximately \$21.1 million for Critical Repairs and approximately \$23.9 million for Street Resurfacing. The \$15.0 million increase is expected to be offset by a \$15.0 million reduction in COPs funding for the 170 Otis Exit project, which received \$70 million in approved COPs funding in the Adopted Capital Plan.

The proposed COPs adds \$23.9 million for Street Resurfacing, which was not previously included in the Adopted Capital Plan for FY 2024-25, because streets did not receive a General Fund allocation in the Capital Budget in FY 2024-25 as previously planned. The Adopted Capital Plan assumed streets resurfacing would receive \$40.2 million from the General Fund in FY 2024-25,

² According to Office of Resilience and Capital Planning staff, the General Fund contribution to the Capital Budget in FY 2024-25 was \$81 million, which is \$38 million less than what was assumed in the Adopted Capital Plan (\$119 million).

which was not ultimately funded. In addition, the proposed COPs for Critical Repairs (\$21.1 million) is \$8.9 million less than what is proposed in the Capital Plan (\$30.0 million) to provide sufficient funding for street resurfacing while prioritizing funding for ongoing critical repairs projects and projects that address legal mandates.

Exhibit 1 below shows the sources and uses of the COPs proceeds. A description of each project and intended use is included in Attachment 1.

Exhibit 1: Sources and Uses of COPs Proceeds

Sources and Uses	Amount
Sources	
COP Proceeds	\$61,395,000
Total Sources	\$61,395,000
Uses	
<u>Critical Repair Projects</u>	
Sunset Blvd Recycled Water	2,900,000
Bridge Inspection and Repair	2,500,000
Underground Fuel Tank Replacement at Hall of Justice	11,134,783
25 Van Ness Heat Pump and Cooling Tower	2,300,000
50 Raymond Repairs	1,300,000
San Bruno County Water Line Replacement	1,000,000
Subtotal, Critical Repair Projects	\$21,134,783
Street Resurfacing & Reconstruction	\$23,865,217
Subtotal, Project Costs	\$45,000,000
Capitalized Interest	5,532,409
Debt Service Reserve Fund	4,807,528
City Services Auditor Fee	90,000
Cost of Issuance	1,002,254
Underwriter's Discount	397,810
Total Uses	\$56,830,000
Reserve for Market Uncertainty	4,565,000
Not to Exceed Amount	\$61,395,000

Source: Office of Public Finance

City Debt Policy

Administrative Code Section 10.62 limits debt service of COPs and other lease financing to 3.25 percent of discretionary General Fund revenues.³ According to the projections provided by the Controller's Office, debt service from the proposed COPs as well as planned COPs through FY 2032-33 will be below that cap. Although the proposed FY 2024-25 COPs for Critical Repairs and

³ This limit only applies to General Fund lease financings that are not offset by other revenues according to Office of Public Finance staff.

Street Resurfacing are \$15.0 million greater than what was approved in the Adopted Capital Plan, the \$15.0 increase will be fully offset by a \$15.0 million reduction in COPs funding for the 170 Otis Exit project, as mentioned above.

FISCAL IMPACT

Debt Service

According to the Office of Public Finance memo, estimated average annual debt service on the estimated \$56.8 million COPs issuance amount is approximately \$4.8 million. Total debt service over the anticipated 25-year term is approximately \$118.9 million, which includes approximately \$56.8 million in principal and \$62.1 million in interest and true interest cost of 6.70 percent. Debt service will be paid from the City's General Fund.

The FY 2024-25 – FY 2025-26 budget appropriated the proceeds of the proposed COPs.

POLICY CONSIDERATION

Street Resurfacing & Reconstruction

While not typically funded by COPs, street repaving received \$30.0 million in funding from the FY 2022-23 COPs authorization (all of which was financed by Series 2023B) and \$32.8 million in funding from the FY 2023-24 COPs authorization (not yet issued). According to the Adopted Capital Plan, the \$62.8 million in General Fund debt from the two authorizations offsets a reduction in General Fund funding for street repaving. The proposed FY 2024-25 COPs adds \$23.9 million for street repaving for a total of \$86.7 million across the authorized and proposed COP issuances. According to Office of Resilience and Capital Planning staff, street resurfacing is most appropriately covered by the General Fund because it is a regular, on-going expense. However, due to constraints on the General Fund, the City has turned to COP debt to maintain street repaving funding.

The Department of Public Works is responsible for maintaining approximately 940 miles of streets. Resurfacing the streets regularly helps to maintain the quality of the streets and reduces maintenance costs over time. Public Works' goal is to maintain an average Pavement Condition Index (PCI) of 75, which is considered "good" condition. According to the Controller's Performance Scorecard, the City's PCI was 75 in 2023, up from 63 ("at risk") in 2009. The improvement in street condition is partially due to the 2011 Road Repaving and Street Safety Bond Program, totaling \$248 million.⁴ According to Public Works staff, San Francisco streets and roads have an average useful life of 5 to 20 years, with most streets closer to the higher end of that range. A street's useful life is shortened when there is increased car, truck and bus traffic. Typically, the asphalt on a heavily used street wears out sooner than a street with less activity.

⁴ The final bond sale for the 2011 Road Repaving and Street Safety Bond Program was completed in 2016.

Street Resurfacing Funding

According to the Adopted Capital Plan, the cost is \$1 billion over the next 10 years to attain and maintain a PCI of 75, including an anticipated \$454 million in funding from the General Fund Pay-Go Program. On-going sources for street resurfacing include State gas tax revenue, local sales tax revenue for transportation and vehicle registration fees, and annual General Fund allocations from the Pay-Go program under the Capital Plan. One-time sources include \$68.9 million from the 2020 Health and Recovery General Obligation Bond and COPs funding discussed above. One-time sources from the proposed COPs funding account for 34 percent of projected sources in FY 2024-25. Projected sources for street resurfacing decline from \$70.3 million in FY 2024-25 to FY \$46.9 million in FY 2025-26 because there is no General Fund or COP debt budgeted for this program in FY 2025-26.

RECOMMENDATION

Approve the proposed ordinance.

Attachment 1: Proposed FY 2024-25 COPs Projects

Dept	Project	Description	Est. Completion Date	Status	COPs Project Fund Amount	Total Budget
Critical Repairs						
DPW	Sunset Blvd Recycled Water	The objective of this project is to provide recycled water to the Sunset Blvd irrigation system. The SFPUC Oceanside Recycle Water Treatment Plant (in construction) pumps recycled water via a 16" force main (FM) to GGP. This project aims to connect to the 16" FM so recycled water can be utilized for the Sunset Blvd irrigation system.	Aug 2026	Design phase expected to be complete by December 2024. Politically visible project. PUC cost share still in discussion, PG&E will also contribute to the project.	\$2,900,000	\$9,000,000
DPW	Bridge Inspection and Repair	General inspection and maintenance to moveable, vehicular, and pedestrian bridges to maintain safety and proper operations, and to minimize long-term renewal costs.	Jun 2027	This is an evergreen public works program that was recently split from the street structure program. Street structures have been underfunded and federal dollars will not pay for the maintenance of critical bridge maintenance work.	2,500,000	2,500,000
ADM	Underground Fuel Tank Replacement at Hall of Justice	Replacement of 2 aging tanks for gasoline fuel at the HOJ station at 950 Bryant. The aging tanks will all be replaced with double-walled tanks with similar capacities.	Dec 2026	Planning to begin; funding had to be secured before planning.	11,134,783	11,134,783
ADM	25 Van Ness Heat Pump and Cooling Tower	The system is past end of life and in need of replacement to properly heat and cool the building.	Jun 2025	Additional funding required to finish project as scoped.	2,300,000	2,450,000
ADM	50 Raymond Repairs	The building entrance deck structure is failing and cordoned off. Siding, windows and insulation are at end of life and need to be replaced. The exterior has extensive water intrusion and mold issues are imminent.	Jun 2025	The project is in the design phase and had a \$1.3M shortfall after design & review. \$500,000 was allocated to the siding project in the FY23 budget year.	1,300,000	1,800,000

Dept	Project	Description	Est. Completion Date	Status	COPs Project Fund	
					Amount	Total Budget
SHF	San Bruno County Water Line Replacement	Repair the water line that serves the jail from the Howard Tracy pump house to the San Bruno Jail Facility.	TBD	New project. Engineering consultants have reviewed project on-site and provided assessment. Severe leaks and moisture corrosion in water line. Consultants have provided recommended actions.	1,000,000	TBD. Project will need to be presented to contracts for bid.
<u>Street Repaving</u>						
DPW	Street Resurfacing & Reconstruction	Evergreen Public Works program to maintain the accepted streets Pavement Condition Index (PCI).	Dec 2026	In progress. Third round of COP funding; \$30M funded in FY23 and \$32.8M in FY24.	23,865,217	83,255,572
Total					\$45,000,000	\$110,140,355

Source: Office of Public Finance and Office of Resilience and Capital Planning

Item 2 File 24-0769	Department: Recreation and Parks Department
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution would approve the use of \$7,150,000 in Open Space Acquisition Funds to acquire 240 6th Street and perform environmental remediation so that the parcel may be developed into a park. The resolution would also approve the Purchase and Sale Agreement and the assumption of an existing lease and other related actions. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> 240 6th Street is a 9,625 square foot site located adjacent to the Recreation and Parks Department's (REC) Gene Friend Recreation Center in East SOMA. There is a two-story commercial building located on the site. The second floor is occupied by Euro Motorcars, and the first floor is currently vacant. REC evaluated the proposed site for acquisition per the terms of its Acquisition Policy and determined that the site to be "most desirable" for acquisition because of its location in a High Needs area and an area with a deficiency of open space. In addition, the site is located in one of the three Priority Areas (eastern SOMA) identified for new parks based on recommendations from the 2013 D6 Open Space Task Force. The purchase price of \$5,310,000 is based on an appraisal which found the value of the property to be \$6,900,000 (or \$373.70 per square foot) and a negotiated credit of \$1,590,000 to be retained by the City to perform environmental remediation. The City anticipates spending an additional \$250,000 to cover the remaining cost of necessary remediation based on a Public Works' estimate. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The cost of acquisition for the site is \$7,150,000, which includes \$1,840,000 in environmental remediation costs and \$5,310,000 to acquire the property. The source of funding is the Open Space Acquisition Fund, which has a current balance of \$13,400,000. The existing lease with Euro Motorcars will generate over \$190,000 in revenue between October 2024 and May 2026. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> REC is proposing to acquire and landbank the site to take advantage of reduced property values in a priority neighborhood and improve access to open space for high need populations. However, development details and timing are currently unknown, and no funding has been identified for development or future operations. <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

Administrative Code Section 23.3 states that the Board of Supervisors must approve acquisitions of real property by resolution. An appraisal of the property is required if the Real Estate Division determines that the fair market value is greater than \$10,000 and an appraisal review if the fair market value is greater than \$200,000.

City Charter Section 16.107(b) requires that the City set aside from the annual property tax levy an amount equivalent to two and one-half cents (\$0.025) for each one hundred dollars (\$100) assessed property valuation which is to be deposited into the Park, Recreation and Open Space Fund. Charter Section 16.107(f)(3) states that an allocation of not less than five percent of the monies to be deposited in the Fund shall be dedicated to the acquisition of real property.

BACKGROUND

240 6th Street is a 9,625 square foot site located adjacent to the Recreation and Parks Department's (REC) Gene Friend Recreation Center in East SOMA. There is a two-story commercial building located on the site, totaling 18,464 square feet. The second floor is occupied by Euro Motorcars, and the first floor is currently vacant. The property is owned by a Tenancy in Common by eight family members, including Martha E. Potiriades, George P. Potiris, Kalli K. Carvalho, James G. Pappas, Cristina Pappas-Boettger, Ellece Vasti, Stephanie A. Papas, and Catherine Guzman (property owners).

In 2022, the property owners reached out to REC to see if the Department would be interested in acquiring the site to convert it to open space. The proposed acquisition would allow REC to expand the Gene Friend Recreation Center, which is currently being remodeled, and provide resources in a high needs area, as discussed below. REC evaluated the proposed site for acquisition per the terms of its Acquisition Policy, described below.

REC Acquisition Policy and Process

Once a potential site is identified by REC staff or a member of the public, REC staff assess the site for potential acquisition based on the site's ability to meet the three policy goals set forth in REC's Acquisition Policy. The three goals include: (1) identify sites that serve High Need areas and/or areas where there is a deficiency in open space as defined by the Recreation and Open Space Element of the General Plan (ROSE);¹ (2) identify sites that leverage other funding sources for the purchase, development, and/or ongoing maintenance; and (3) identify sites that encourage a variety of potential recreational and open space uses and users. REC staff also consider other

¹ Under the 2014 Recreation and Open Space Element of the City's General Plan, high need areas are areas with a high population density, a large percentage of children, seniors, and low-income households and areas within an Area Plan pursuant to the City's General Plan.

elements when assessing a site for acquisition such as challenges for development or use of the site, community support, existing trees or vegetation, site topography, and other elements.

The REC staff assessment results in one of four recommendations to the Park, Recreation, and Open Space Advisory Committee (PROSAC): (1) no recommendation (i.e., the site is not recommended for acquisition); (2) the site is desirable; (3) the site is more desirable; and (4) the site is most desirable. Sites that are determined to be desirable, more desirable, or most desirable are added to the REC Acquisition Roster.² PROSAC provides feedback on the staff evaluation and votes to endorse the proposed acquisition or remove the site from the Acquisition Roster. PROSAC-endorsed sites undergo further site analysis, including environmental review, property appraisals, and other required research before being presented to the Recreation and Park Commission, and subsequently, the Board of Supervisors for approval.

240 6th Street Evaluation

According to the staff evaluation for 240 6th Street, the site was determined to be “most desirable” because of its location in a High Needs area and an area with a deficiency of open space (Acquisition Policy Goal 1). The site is located in an Environmental Justice Community³ and one of the three Priority Areas (eastern SOMA)⁴ identified for new parks based on recommendations from the 2013 D6 Open Space Task Force. The site also meets the third goal, as it is large enough to encourage a variety of uses, including passive and active recreation. In addition, the site has “special attributes” due to its location adjacent to an existing REC facility which may provide opportunities for operational efficiency. According to REC staff, the site partially meets the second goal as funding is identified for acquisition and remediation (from the Open Space Acquisition Fund). However, funding has not been identified for development or maintenance.

In June 2023, the members of the Park, Recreation and Open Space Advisory Committee (PROSAC) voted in support of acquiring the site and added it to the Acquisition Roster, as shown in Attachment 1. Although there are other sites on the Acquisition Roster that REC staff are considering for acquisition, REC staff decided to move forward with the proposed acquisition because: (a) the site owner is willing to sell the site; (b) the site is located in eastern SOMA, a priority neighborhood; and (c) property values have declined in this area in the last few years, making it an opportune time to buy.

² The REC Acquisition Roster is a list of sites that REC staff is actively considering acquiring and is used to track the details and status of properties as well as to compare the sites.

³ Environmental Justice Communities are areas with relatively higher levels of pollution and are predominantly low-income.

⁴ The other two priority locations recommended by the D6 Task Force were western SOMA and Civic Center/Tenderloin.

In June 2024, the Recreation and Park Commission voted to recommend that the Board of Supervisors approve the use of Open Space Acquisition Funds to pay for the acquisition of 240 6th Street and environmental remediation of the site.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the use of \$7,150,000 in Open Space Acquisition Funds to acquire 240 6th Street and perform environmental remediation so that the parcel may be developed into a park. The resolution would also: (a) approve the Purchase and Sale Agreement and the assumption of an existing lease; (b) place the property under the jurisdiction of the Recreation and Parks Department; (c) authorize the use of lease revenues from the property for property-related costs and park planning; (d) require that the park development project be subject to approval of the Recreation and Park Commission; (e) find that the acquisition is consistent with the General Plan and priority policies of the Planning Code; and (f) authorize the Director of Property to amend the Purchase and Sale Agreement and take other related actions.

Purchase and Sale Agreement

Under the proposed Purchase and Sale Agreement (Purchase Agreement), the City will pay the property owners a purchase price of \$5,310,000. The purchase price is based on an appraisal which found the value of the property, including the improvements, to be \$6,900,000 (or \$373.70 per square foot) and a negotiated credit in the amount of \$1,590,000 to be retained by the City to perform environmental remediation (Remediation Credit). In exchange for the Remediation Credit, the City agrees to purchase the property “As Is”. R. Blum and Associates conducted the appraisal in December 2023, and Colliers International completed an appraisal review in May 2024 and found the appraisal to be acceptable.

The Purchase Agreement also provides for the assumption of the existing lease with Euro Motorcars. Under the lease agreement, which expires May 31, 2026, Euro Motorcars pays base monthly rent of \$9,000, subject to annual increases based on CPI, plus a share of common operating expenses. As of June 1, 2024, the current monthly rent is \$9,342 according to Real Estate Division (RED) staff. Although the lease permits early termination by the landlord with six months’ notice, REC intends to allow the existing tenant to continue to occupy the second-floor premises until the lease expiration date and to use lease revenues to pay for property-related costs and future park planning. RED will manage the property on behalf of REC until the lease expires. After the lease expires, REC would either use the site for REC operations or work with RED to find a suitable interim-use (such as parking for city vehicles) of the site until it can be developed. The existing lease does not have any options to extend. Continuing to lease the second floor to Euro Motorcars beyond May 2026 would require that REC enter into a new lease, which may be subject to Board of Supervisors approval, depending on the lease terms.

Under the Purchase Agreement, the seller has the right to complete the transaction as a 1031(c) tax-deferred exchange⁵ provided it does not delay the close of escrow.

Environmental Remediation

The property owners prepared a Phase 1 Environmental Assessment in July 2019 which found that use of the site as a car repair and body shop may have resulted in the presence of hazardous materials at the site and in the soil. In 2023, Aurora Environmental Services, Inc., a consultant for Public Works, prepared a Phase 2 Environmental Assessment, which was reviewed by Public Works' Site Assessment and Remediation Division. Based on a subsurface sampling of the soil, the Phase 2 assessment found that the site was contaminated with elevated levels of heavy metals (such as lead and arsenic), volatile organic compounds, and semi-volatile organic compounds. Based on the results, Public Works developed a cost estimate on April 22, 2024 of \$1,840,000, which informed negotiations with the property owners. As noted previously, the City negotiated a \$1,590,000 credit from the sale price to be retained by the City to perform environmental remediation. In addition, based on Public Works' estimate, the City anticipates spending an additional \$250,000 to cover the remaining cost of necessary remediation.

Development of the Site

According to REC staff, the proposed site would be land banked until it can be developed. REC would undertake a community engagement process to determine the use of the site, which is intended to complement other REC facilities in the area. REC anticipates development would occur within five to ten years during which time REC would look for grant funding for development.

FISCAL IMPACT

Purchase Cost

The cost of acquisition for the 240 6th Street site is \$7,150,000, which includes \$1,840,000 in environmental remediation costs and \$5,310,000 in purchase price to be paid to the current property owners. The source of funding is the Open Space Acquisition Fund, which has a current balance of \$13,400,000 according to the June 2024 staff memo to the Recreation and Park Commission on the proposed acquisition. If the proposed site is acquired and remediated for \$7,150,000, the remaining Open Space Acquisition Fund balance would be \$6,250,000. According to the staff memo, the remaining balance together with annual deposits are sufficient to fund existing commitments totaling \$8.26 million at Schlage Lock (\$4.5 million), Francisco Reservoir (\$3.48 million), and 11th and Natoma (recently renamed to Rachele Sullivan Park) (\$0.28 million).

⁵ Completing the transaction as a 1031(c) tax-deferred exchange would allow the seller to use the proceeds to purchase a "like-kind" replacement property thereby deferring the payment of capital gains tax on the sale of property to the City. According to RED staff, this will require that the City use an intermediary to complete the transaction as required under the tax code.

Assumption of Existing Lease

REC staff estimate that assumption of the existing lease with Euro Motorcars will generate over \$180,000 in revenue between October 2024 and May 2026 when the lease expires. REC staff intend to use lease revenues to maintain the site prior to development and/or for remediation or development of the site.

Development and Maintenance Costs

REC staff did not provide cost estimates for development and maintenance of the site. REC staff report that development and maintenance costs of the site will depend on the specific uses of the site, which are still unknown. In addition, Rec staff anticipate that maintenance of the site will be completed jointly with maintenance activities of the adjacent Gene Friend Recreation Center, resulting in cost efficiencies.

POLICY CONSIDERATION

REC is proposing to acquire and landbank the site to take advantage of reduced property values in a priority neighborhood and improve access to open space for high need populations. However, development details and timing are currently unknown. While funding from the Open Space Acquisition Fund has been identified for purchase and remediation of the site and an existing lease is anticipated to provide additional funding for ongoing maintenance costs and/or park development through May 2026, no funding has been identified for development or future operations. For this reason, we consider approval of this acquisition to be a policy matter for the Board of Supervisors.

RECOMMENDATION

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

Attachment 1: REC Acquisition Roster Endorsed by PROSAC, Updated Sep 2023



POLICY GOALS 1-3	MOST DESIRABLE	Located within or Serves a High Needs Area																			
		Located within a Distribution Deficiency Gap																			
		Leverages Other Funding for Acquisition																			
		Leverages Other Funding for Construction																			
		Leverages Other Funding for Maintenance																			
	DESIRABLE	Passive Recreation																			
		Active Recreation																			
		Natural Resources Protection																			
Special Attributes (Scenic Views, Accessibility to Water, Other)																					
PROJECT INFORMATION		Property Description and Site Location																			
		Site Name	Mission Bay Parks	889 Post Street	240 6th St. / Gene Friend Extension	380 Ellis St.	770 Woolsey St.	Transbay Block 3	I. M. Scott School	Balboa Park Reservoir	Visitation Valley Greenway	Selby & Palou Transfer	7th & Lawton	Palou / Phelps Open Space Extension	3rd and Hudson	680 Leland	660 Peru	1133/1139 Mission St.	Potrero HOPE SF - "24th St. Central Park"	Sohlage Look Visitation Ave Park	Sohlage Look Linear Park
		Address / Block and Lot	Existing: Mission Creek Park (P1,P3), Channel Street Dog Park (P5), Mission Bay Kids Park (P6), Mission Bay Commons (P16, P17), Mariposa Park (P26), Mission Creek Esplanade and Plaza (NP1 - NP3), Mission Creek Sports Courts (NP4), and Berry Street Dog Park (NP5) Future: P2, P7 - P9, P12 - P15, P27	889 Post Street Block 0302 Lot 019	240 6th Street Block 3731 Lot 004	380 Ellis Street Block 0324, Lot 011	770 Woolsey Street Block 6055, Lot 001	Block 3739, Lot 003	20th St. b/w Tennessee and Minnesota Block 4107, Lot 006	Block 3180, Lot 001	Block 6201 lots 8 & 37; Block 6202 lots 2,3 & 45; Block 6208 lots 18-22 & 28-31; Block 6235 lots 13-15 & 32-34; Block 6238 lot 12, 13, 32 & 33; Block 6247 lots 11, 12, 30 & 31.	Selby St.& Palou Ave Block 5331, Lot 055, 057	Block 1937, Lot 001	Palou St & Phelps Ave Block 5336 Lots 052, 047, 048, 049, 001	4101 3rd Street Block 5260, lot 001	680 Leland Block 6243 Lot 061, 062, 063, 064, 065	660 Peru Block 5960 Lot 026 and 027	1133 & 1139 Mission St. 3727/096 3727/097	Bounded by 24th Street, 24 1/2 Street, Missouri Street and the Connecticut Park Terrace in the proposed Potrero Hope SF project.	2445 - 2250 Bayshore Blvd & 292 Sunnydale Ave/ 5100/010, 5101/006, 5099/014	2401 Bayshore Blvd/ 5087/003A
		Site Size	Existing: 18 parcels/24 acres Future: 10 parcels/ 17 acres (Note: parcels/acres include Port-managed parks)	7,653 sq ft / 0.18 acre	9,625 sq ft / 0.22 acres	4,375 sf / 0.1 acre	96,000 sq ft / 2.2 acres	43,560 sf / 0.9 acres	29,999 sf / 0.69 acres	TBD	90,000 +/- sf / 2.11 acres	8,900 sf / 0.2 acres	82,764 sf / 1.9 acres	14980 sf / 0.34 acres	7,200 sf / 0.16 acres	15,649 sq. ft. / 0.36 acres	3,798 sq. ft. / 0.09 acres	10,150 sq. ft. / 0.23 acres	0.75 acre	40,075 sf	33,106 sf
Important Attributes & Notes From Site Info Sheet			The site consists of both developed and future open spaces in a rapidly growing neighborhood and solves a preexisting gap in open space availability. Existing open spaces allow for the addition of fully constructed facilities and waterfront parks to RPD's portfolio, including DPAs, a CPA, courts, restrooms, and more. Future open spaces have been identified and will be funded by OCII before transfer to RPD. These lots will ensure a continuous network of open space throughout the neighborhood. CDF funding is available to maintain open spaces.	The site is in a High Needs Area and an Environmental Justice Community (Equity Zone); the site is a sunny corner lot that would provide essential additional open space currently lacking in the neighborhood. There is a building on site that would need to be demolished prior to developing a park; several neighborhood community organizations could potentially partner with RPD to activate and steward the site.	The site is located in a High Needs Area and an Equity Zone. The site is adjacent to Gene Friend Recreation Center. Acquiring this site would allow RPD to expand an existing facility in a highly dense neighborhood. The new space can provide additional amenities currently lacking in the area. The site's adjacency to an existing RPD site can provide maintenance and operational efficiencies.	The site is located in a High Needs Area and an Equity Zone; the site is imagined as an annex to Boeddeker Park, which would provide maintenance and operational benefits, as well as possible security; several community organizations could potentially partner with RPD to monitor and activate the site.	Vacant, historic agricultural site located within an Equity Zone featuring 18 historic greenhouses, two hand-dug wells, and water tanks that are attributed with the cultural history of the Potrero District. RPD would potentially acquire 15% of the property to complement its Urban Agricultural program.	To be built on OCII-owned land and transferred to RPD upon completion at no cost. East Cut CBD to dedicate \$95K a year in services and maintenance support. Located near major commuting destinations, MUNI and BART.	Close Proximity to Transit; Existing Site Features and existing historic building likely provide both recreation opportunities and challenges; Within Central Waterfront Area Plan	Close Proximity to Transit; Within the Balboa Park Station Area Plan	PUG owned; Existing recreational site features are currently maintained by RPD	DPW owned; Proximity to transit; Existing recreational site currently maintained by RPD; Adjacent to elevated portion of 380 Freeway; RPD previously requested improvements to site by DPW prior to transfer; Within the Bayview Hunters Point Area Plan.	Potential for Natural Resources to exist on site; SFUSD owned; partial views; Close Proximity to Transit; Surrounding area sloped; Adjacent streets pose potential hazards; On study corridor for cross town trail	Adjacent to existing RPD Property; Provides Scenic Views; Natural Area; Within Bayview Hunters Point Area Plan; Appraised value less than asking price.	Close Proximity to Transit; between 3 streets - 1 very busy; Appraised value less than asking price; Within Bayview Hunters Point Area Plan.	The property could provide a level trail between natural areas to the north at the Visitation Valley Middle School and areas to the south, including McLaren Community Garden and Coffman Pool. The site is adjacent to the existing McLaren Community Garden, which could be expanded.	The property would provide a scenic stopover on the Peru Avenue steps, which are part of the Green Connection's proposed Crosstown Connection.	The property would provide open space in one of the city's higher need areas.	New park would provide views of the south and east bay.	The property would provide open space in one of the city's higher need areas.	The property would provide open space in one of the city's higher need areas.
PROSAC Findings			Approved Roster September 2023 unanimous	Approved Roster June 2023 unanimous	Approved Roster June 2023 unanimous	Approved Roster March 2022	Approved Roster April 2022, unanimous	Approved Roster September 2021	Approved Roster June 2011	Approved Roster June 2011	Approved Roster June 2011	Approved Roster June 2011	Approved Roster June 2011	Approved Roster June 2011	Approved Roster June 2011	Approved Roster June 2011	Endorsed July 2015, Unanimous	Endorsed Dec. 2015, 17-1	Endorsed November 2016, unanimous.	Endorsed June 2015, 14-3	Endorsed June 2015, 14-3

SAN FRANCISCO BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

Item 3 File 24-0782	Department: San Francisco Public Utilities Commission
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution would approve payments totaling \$754,141 to refund Utility Users Taxes that were incorrectly charged to SFPUC customers in Alameda County. The resolution includes payments from the General Fund to three entities. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> SFPUC owns land in unincorporated Alameda County that is used as a sand and gravel quarry. The Sunol Valley Aggregate Quarry is operated by the DeSilva Group, under a lease from SFPUC to Oliver De Silva. In addition, SFPUC leased a portion of the land to the Alameda County Resource Conservation District, a government entity that operates organic farms (the farms in SFPUC land are known as Sunol AgPark). SFPUC has been collecting Utility Users Tax from these Hetchy Power customers and remitting it to the San Francisco Treasurer-Tax Collector when it should have gone to Alameda County, which has a lower tax rate. In addition, the Alameda County Resource Conservation District is exempt from this tax. The error was identified when Oliver De Silva reported being overcharged, prompting an internal review of all Hetchy Power accounts that revealed further incorrect billing for the Alameda County Resource Conservation District. This misapplication occurred due to SFPUC staff's unfamiliarity with handling electric service accounts outside of San Francisco County and lack of financial procedures to correctly collect the applicable Utility Users Tax. The SFPUC is updating its meter to billing procedures and guidelines to ensure that staff check and apply the correct Utility User Tax rates. The proposed resolution would authorize payments as follows: \$101,825 to Oliver De Silva, \$340 to Sunol AgPark, and \$651,976 to Alameda County. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The total repayment amount of \$754,141 will be deducted from FY 2024-25 Utility User Tax revenues, which are budgeted at \$110.7 million this fiscal year. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 1.101 states that all powers not vested in a City officer by the City Charter are exercised by the Board of Supervisors.

BACKGROUND

The Hetch Hetchy Water and Power Enterprise is responsible for water and power delivery to San Francisco from Yosemite National Park and surrounding areas. According to the enterprise's FY 2022-23 audited financial statement, 61 percent of Hetchy Power is provided to municipal customers and 39 percent is sold to CleanPowerSF and other wholesale electricity customers. As part of the billing process, SFPUC collects Utility User Taxes on behalf of its customers and remits it to the proper taxing entities. According to Nancy Hom, SFPUC Chief Financial Officer, the majority of Hetchy Power customers are in San Francisco.

SFPUC owns land in unincorporated Alameda County that is used as a sand and gravel quarry. The Sunol Valley Aggregate Quarry is operated by the DeSilva Group, under a lease from SFPUC to Oliver De Silva. In addition, SFPUC leased a portion of the land to the Alameda County Resource Conservation District, a government agency that operates organic farms (the farms in SFPUC land are known as Sunol AgPark). Because the land is owned by the SFPUC, tenants are eligible to receive Hetch Hetchy Power.

In 2017, the Alameda County Resource Conservation District became a Hetchy Power customer. In 2018, Oliver De Silva also became a Hetchy Power customer. Prior to that time, they were PG&E electric customers. These were the first SFPUC electric service accounts in Alameda County, on SF-owned land.

Upon taking over these accounts, the SFPUC began collecting Utility Users Taxes (UUT) at the San Francisco rate of 7.5%, instead of the applicable Alameda County rate of 6.5% and transferred the revenue to the San Francisco Treasurer-Tax Collector rather than to Alameda County. This misapplication occurred due to SFPUC staff's unfamiliarity with handling electric service accounts outside of San Francisco County and lack of financial procedures to correctly collect the applicable Utility Users Tax. As a result, Oliver De Silva was overcharged \$753,801 at the San Francisco rate, while they should have been billed \$651,976 at Alameda County's 6.5% rate. This resolution intends to refund Oliver De Silva the difference and provide authorization to pay Alameda County the \$651,976 it is owed. In addition, as a government entity outside of San Francisco, the Alameda County Resource Conservation District should not have paid \$340 in San Francisco Utility User Tax.

The error was brought to light when Oliver De Silva notified SFPUC of the overcharge, prompting an internal review of all Hetchy Power accounts. An internal review revealed that SFPUC should not have been collecting the UUT at the San Francisco rate and remitting it to the San Francisco Treasurer and Tax Collector since the properties are in Alameda County. The internal review uncovered incorrect charges to the Alameda County Resource Conservation District in error as well.

SFPUC adopted Resolution No. 24-0161 on June 25, 2024, authorizing the proposed repayment to correct these errors.

According to Jeremy Spitz, Policy and Government Affairs Manager for the San Francisco Public Utilities Commission, the SFPUC is updating its meter to billing procedures and guidelines to ensure that staff check and apply the correct UUT.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve payments totaling \$754,141 to refund Utility Users Taxes that were incorrectly charged to SFPUC customers in Alameda County. The resolution includes payments from the General Fund to three entities.

- \$101,825 to Oliver De Silva to cover the overpaid UUT at the incorrect San Francisco rate.
- \$340 to Sunol AgPark, which was mistakenly charged UUT despite its exempt status as a government entity.
- \$651,976 to Alameda County, which should have received the tax revenue instead of San Francisco.

The resolution also authorizes the Controller to process the necessary fund transfers and ensure compliance with standard accounting practices.

FISCAL IMPACT

The total repayment amount of \$754,141 will be deducted from FY 2024-25 Utility User Tax revenues, which are budgeted at \$110.7 million this fiscal year.

RECOMMENDATION

Approve the proposed resolution.

Item 4 File 24-0781	Department: San Francisco International Airport (Airport)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution would approve Modification No. 3 to the San Francisco International Airport's (Airport) Curbside Management contract with SP Plus Corporation, extending the term two years through October 2026, and increasing the not-to-exceed amount of the contract by \$21,264,800, for a total not to exceed \$41,364,800. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> The Airport's Curbside Management Program was designed to consolidate the management and monitoring of the Airport's ground transportation services and increase the utilization of ground transportation through improved customer service. After a competitive solicitation, the Airport awarded a contract to SP Plus. In September 2021, the Board of Supervisors approved a contract with SP Plus for a term of three years from November 2021 through October 2024 and an amount not to exceed \$20,100,000, with a two-year option to extend through October 2026. The contract has been amended twice. The scope of work for the SP Plus contract includes management of the staging lots used by commercial ground transportation operators, taxi dispatching, taxi Smart-A-Card management that enables revenue collection of taxi trip fees, TaxiVQ app management to allow taxi drivers making short trips to have expedited access upon return, cashier services, and customer services. The proposed Modification No. 3 does not change the scope of services of the contract. SP Plus currently employs approximately 76 full-time equivalent (FTE) employees under the contract. Over the proposed two-year extension, staffing is projected to ramp up to approximately 93 full and part-time employees. Staffing is based on enplanement levels at the Airport, and Airport staff approval is required for SP Plus to increase staffing levels. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The proposed Modification No. 3 would increase the not-to-exceed amount of the contract by \$21,264,800, for a total not to exceed \$41,364,800. Through June 2024, actual contract expenditures total approximately \$14,649,301. Annual expenditures are expected to increase to approximately \$9.9 million in FY 2024-25 and \$11.3 million in FY 2025-26 due to projected increases in staffing levels, prevailing wage increases, healthcare costs, benefits, and management fees. The contract is funded by fees charged to ground transportation providers. <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

In 1999, San Francisco International Airport (Airport) established the Curbside Management Program to consolidate the management and monitoring of the Airport's ground transportation services and increase the utilization of ground transportation through improved customer service.

In 2021, the Airport issued a Request for Proposals (RFP) to select a new Curbside Management service provider. SP Plus Corporation was deemed the highest scoring proposer and was awarded a contract. In September 2021, the Board of Supervisors approved a contract with SP Plus for a term of three years from November 2021 through October 2024 and an amount not to exceed \$20,100,000, with one two-year option to extend through October 2026 (File 21-0909). In October 2022, the Airport Director executed Modification No. 1 to the contract to increase hourly rates for certain classifications and removed references to ride-share vans. In April 2023, the Airport Director executed Modification No. 2 to the contract to modify labor costs based on the updated collective bargaining agreement.

The contract is set to expire on October 31, 2024. Due to satisfaction with SP Plus's performance, Airport staff has decided to exercise the two-year option to extend the contract through October 2026. In July 2024, the Airport Commission approved Modification No. 3 to the contract.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Modification No. 3 to the Airport's Curbside Management contract with SP Plus, extending the term by two years through October 2026, and increasing the not-to-exceed amount of the contract by \$21,264,800, for a total not to exceed \$41,364,800. The proposed amendment also increases labor rates on the contract by 4.0 to 7.1 percent and increases reimbursement of other direct costs from \$115,009 to \$132,541. The calculation of the management fee, which is based on SP Plus staffing, would not change.

The scope of work for the SP Plus contract includes management of the staging lots used by commercial ground transportation operators, taxi dispatching, taxi Smart-A-Card management that enables revenue collection of taxi trip fees, TaxiVQ app management to allow taxi drivers making short trips to have expedited access upon return, cashier services, and customer services. The proposed Modification No. 3 does not change the scope of services of the contract.

According to Nora Chin, Airport Senior Transportation Planner, SP Plus currently employs approximately 76 full-time equivalent (FTE) employees under the contract. Over the proposed two-year extension, staffing is projected to ramp up to approximately 93 full and part-time time

employees. Staffing is based on enplanement levels at the Airport, and Airport staff approval is required for SP Plus to increase staffing levels.

Under the contract, the Airport pays SP Plus a monthly management fee based on the monthly staffing hours. The RFP used to award the contract requested that respondents propose a monthly management fee based on a baseline of 7,392 monthly staffing hours, or approximately 42 FTE employees, which was the approximate staffing level under the previous curbside management contract at the time the RFP was released. The management fee is then adjusted if the staffing levels increase or decrease by more than 10 percent for two consecutive months. As of June 2024, the monthly management fee is \$33,624, approximately 57 percent greater than the baseline monthly management fee of \$21,417. This signifies approximately 11,605 monthly staffing hours, or approximately 57 percent greater than the baseline of 7,392 hours.

Under the contract, SP Plus generates daily reports to the Airport showing the staffing per shift, daily responsibilities, and activities. Airport staff meets regularly with SP Plus to address and resolve issues. Airport staff evaluates SP Plus annually on standards regarding safety, customer service, employee training, supervisory and management meetings, incident reports, and budget adherence. Airport staff report that the contractor is performing well but, as of this writing, they are still in the process of compiling performance data to validate that assertion. Airport staff will provide our office the performance data prior to the September 11, 2024 Budget & Finance Committee meeting.

FISCAL IMPACT

The proposed Modification No. 3 would increase the not-to-exceed amount of the contract by \$21,264,800, for a total not to exceed \$41,364,800. Projected expenditures over the two-year and four-month period from June 2024 through October 2026 are shown in Exhibit 1 below.

Exhibit 1: Projected Expenditures, June 2024 through October 2026

Expenditures	Amount
Salaries	\$15,228,265
Payroll Taxes	1,918,828
Workers Compensation	1,294,447
Benefits	3,583,838
401k/Retirement	1,558,004
Operating Expenses ¹	304,162
Management Fee	1,257,373
Total	\$25,145,445

Source: Airport

Through June 2024, actual contract expenditures total approximately \$14.6 million. According to Senior Transportation Planner Chin, annual expenditures are expected to increase to approximately \$9.9 million in FY 2024-25 and \$11.3 million in FY 2025-26 due to projected

¹ Operating expenses include badges, radios, uniforms, phones, the Mystery Shopper Program, paper tickets for taxis to enter the International Terminal, vehicle costs, cleaning supplies, and operational equipment. The Mystery Shopper Program hires neutral third-party contractors to pose as airport travelers to assess customer service.

increases in staffing levels, prevailing wage, healthcare costs, benefits, and management fees. Actual and projected contract expenditures are shown in Exhibit 2 below.

Exhibit 2: Actual and Projected Contract Expenditures

Time Period	Amount
November 2021 – June 2024 (Actual)	\$14,649,301
July 2024 – October 2026 (Projected)	25,145,445
Subtotal, Actual and Projected Expenditures	\$39,794,747
Contingency (6% of Projected Expenditures)	1,570,053
Total Not-to-Exceed	\$41,364,800

Source: Airport, Budget and Legislative Analyst Estimates

According to Senior Transportation Planner Chin, a contingency of approximately \$1.6 million is included to cover potential increases in passenger travel and traffic congestion from guests using ground transportation services. This amount represents up to approximately 21 full-time and part-time employees to help mitigate and divert traffic and guide drivers and passengers at the terminals and staging lots.

The contract is funded by fees charged to ground transportation providers. According to Senior Transportation Planner Chin, the Airport's total ground transportation and vehicle registration fees in FY 2023-24 were approximately \$60.3 million.

RECOMMENDATION

Approve the proposed resolution.

Item 5 File 24-0814	Department: Municipal Transportation Agency (MTA)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution would approve an agreement with WSP/PGH Wong Joint Venture for as-needed consulting services supporting the Municipal Transportation Agency's (MTA) Train Control Upgrade Project (TCUP) for an initial five-year term with five options to extend the term for an additional year, for a total of ten years and an amount not to exceed \$36,000,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> In November 2023, the MTA issued a Request for Proposals (RFP) for consulting services to support the MTA's work to upgrade the Muni Metro's control system as part of the MTA's Train Control Upgrade Project (TCUP), which is a ten-year capital project to install a new train control system. WSP/PGH Wong was the highest scoring proposer. WSP and PGH Wong are the two primary consultancies on the contract, and there are 11 approved subconsultants on the contract. Under the proposed agreement, WSP/PGH Wong will provide as-needed consulting services and on-site training to MTA staff to support the implementation of the new train control system (the supplier and installer of the system will be separate contracts that will be subject to Board of Supervisor approval in the future). <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The estimated labor costs, based on the consultants' billable rates, total \$27,547,384 for the first five years of the contract. There will be additional travel costs and direct costs. Funding for this contract comes from the Federal Transit Administration 5337 funds (State of Good Repair Grants program), an annual source of funding for the MTA that must be used for capital costs. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> MTA does not have uniform performance monitoring standards for its contracts, but rather conducts performance monitoring on a project-by-project basis. MTA should develop uniform performance monitoring standards for contracts, similar to the Public Utilities Commission, another enterprise department. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> Amend the proposed resolution to reduce the not to exceed amount from \$36,000,000 to \$30,000,000, to be consistent with the contract amount approved by the MTA Board of Directors, and approved the proposed resolution, as amended. 	

MANDATE STATEMENT

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

BACKGROUND

In November 2023, the San Francisco Municipal Transportation Agency (MTA) issued a Request for Proposals (RFP) for professional consulting services to support the MTA's work upgrading the Muni Metro's control system as part of the MTA's Train Control Upgrade Project (TCUP).

In March 2024, MTA received three proposals. An MTA panel reviewed and scored the submitted proposals,¹ with the following evaluation criteria:

- Completeness and Organization of Proposal Submission (5 points)
- Project Team Organization (5 points)
- Firm Qualifications (15 points)
- Team Member Qualifications (35 points)
- Project Approach (20 points)
- Oral Interview (20 points)

According to the MTA's Train Control Upgrade Project Manager Dan Howard, cost was not an evaluation criterion for the proposals because final costs would be determined by the composition of the consultant staff for each task. MTA was concerned bidders could obscure high billing rates and create false assurance of low cost on a proposal. Instead, the MTA plans to employ cost control during the course of the contract by reviewing the proposed cost and consultant team composition for each deliverable before work begins. In addition, prior to awarding the contract, MTA developed an independent cost estimate for this service, which informed negotiations during the procurement process.

WSP/PGH Wong Joint Venture had the highest score, as shown in Exhibit 1 below.

¹ The evaluation panel for the RFP consisted of a Deputy Director for Capital Projects at San Francisco County Transportation Authority, a Chief Project Manager at MTA, a Deputy Project Manager at MTA, a Senior Engineer at MTA, and an Associate Engineer at MTA.

Exhibit 1: Qualified Proposals and Scores from RFP SFMTA-2024-29-FTA: Consulting Services Supporting the Communications-Based Train Control Upgrade Project

Proposer	Average Final Score (Out of 100)	Met Minimum Qualifications (Y/N)
WSP/PGH Wong, Joint Venture	81.80	Y
Parsons	68.60	Y
DB ECO North America*	41.40	Y

* DB ECO North America submitted a written proposal but due to its low score would not have mathematically been able to win and was thus not invited to the oral interview.

Source: SFMTA

In May 2024, MTA selected WSP/PGH Wong Joint Venture (d.b.a. San Francisco Delivery Partners). In August 2024, the MTA Board of Directors authorized the execution of a contract with WSP/PGH Wong Joint Venture for a term of five years with five one-year options to extend, for a total of ten years and an amount not to exceed \$30,000,000.

Train Control Upgrade Project (TCUP)

The MTA's Train Control Upgrade Project (TCUP) is a capital project intended to modernize its transit services, specifically the Muni Metro, and this contract is for consultant support of the project. This contract is one of three contracts to be awarded for the TCUP project. The other two contracts are for a supplier of the upgraded train system (the Supplier) and for an installer of the upgraded train system (the Installer). MTA issued a separate RFP for the Supplier contract in March 2023, which is expected to cost around \$240 million. The Supplier proposals have been submitted and scored. The MTA plans to contract separately with the Installer for around \$30 million. Both contracts would therefore be subject to separate Board of Supervisors approval.

The MTA manages the Muni Metro light rail system, which has relied on an Automatic Train Control System (ATCS) to operate trains since 1998. ATCS technology requires manual operations by control center personnel to operate its trains. The Muni's ATCS is now outdated and at the end of its useful life. As a result, the Muni has experienced delays, communications failures, train timeouts, and component failures. The MTA plans to replace the ATCS with a communications-based train control (CBTC) system. Modern CBTC technology uses Wi-Fi or cellular connections, for which the infrastructure must be installed along the entire Muni trackway, both underground and along surface streets. CBTC will replace the Muni's ATCS in seven phases over nine years and bring the entire Muni rail network under a single train control and supervision system.

This contract is for as-needed consultant services to provide expertise in train control system design and engineering to MTA staff. MTA in-house engineering staff have experience maintaining the existing ATCS system but do not have specialized knowledge of the CBTC system. The consultant services will provide MTA staff with international and domestic expertise in modern train control implementation. The consultant staff, alongside MTA staff, will oversee the Supplier and Installer of the new CBTC system. The last five years of the contract are structured as five one-year options to extend the contract to give MTA the ability to terminate the contract if the consultant services are no longer needed.

WSP/PGH Wong Joint Venture

The primary two consultant companies on the contract are WSP and PGH Wong. According to WSP/PGH Wong's proposal, WSP is an international engineering management firm and PGH Wong, which is headquartered in San Francisco, has experience in Bay Area train control projects. According to Project Manager Howard, WSP and PGH Wong teamed up for the proposal submission to combine their strengths and to meet the requisite Small Business Enterprise (SBE) goal of 15 percent in their proposal. There are 11 pre-approved subcontractors included in the draft agreement. The following table shows the expertise and experience of each of the primary consultants and subconsultants.

Exhibit 2: Primary Consultants and Subconsultants Included in the Contract

Primary Consultants	Expertise and experience
PGH Wong Engineering, Inc.	Engineering and program management firm worldwide.
WSP USA Inc	Engineering firm headquartered in San Francisco.
Subconsultants	
AECOM Technical Services, Inc	Technical engineering support in the Bay Area.
CHS Consulting Group	Transit planning and traffic engineering, including signal design and signing and striping design, in San Francisco.
Civic Edge Consulting	Outreach and communications services for technical projects in San Francisco (will be on-call with MTA).
Cornerstone Transportation Consulting, Inc.	Construction management in San Francisco.
Hatch	Transit vehicle and rail systems consulting.
Legacy Rail Operations LLC	Rail operations consultant throughout the United States.
Luster National, Inc.	Construction management and public engagement across the United States.
Raul Bravo + Associates, Inc.	Knowledge of transit industry standards and local, state, and federal regulations.
TUV Rheinland of North America, Inc.	Testing, inspection, and certification services for train control systems worldwide.
UNICO Engineering, Inc.	Engineering and construction management.
Virginkar & Associates, Inc.	Rail vehicle procurement and equipment.

Source: WSP/PGH Wong Joint Venture's submitted proposal to MTA.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve an agreement with WSP/PGH Wong Joint Venture for as-needed consulting services supporting the MTA's Train Control Upgrade Project (TCUP) for an initial five-year term with five options to extend the term for an additional year, for a total of ten years and an amount not to exceed \$36,000,000.

Services Provided

Under the contract, WSP/PGH Wong Joint Ventures (the Consultant) will provide as-needed consulting services to the MTA for the TCUP, providing oversight and support of the execution of

the communications-based train control system (CBTC). The Consultant will be responsible for reviewing the designs and tracking the progress of the Supplier of the CBTC as well as training MTA staff on CBTC installation and maintenance. The Consultant will be integrated into the MTA project team and will provide primarily written deliverables to the MTA project team, specifically relating to the development and installation of the new CBTC on the MTA's railways.

Some Consultant staff will be co-located at MTA's offices to augment MTA staff. These co-located staff will not pay rent but rather have reduced billing rates (a discount ranging from zero to 34 percent, depending on the staff). These co-located staff will primarily be part of the MTA's project team and work full time on the project. Other Consultant staff will be called upon as needed and work remotely for the project team on deliverables. The services the Consultant will provide include primarily written deliverables, such as progress reports, documentation of progress, reviews of the designs created by the Supplier for the CBTC, quality assurance oversight, testing of the CBTC, and safety certification of the CBTC. Other as-needed services include advising MTA on technical issues, maintenance, upgrades, data collection, and keeping MTA staff up to date on CBTC industry standards.

Performance Monitoring

According to Project Manager Howard, MTA does not have a uniform process for monitoring contracts across the agency but rather conducts performance monitoring for contracts on a case-by-case basis. For this contract, evaluation of the Consultant's work will happen for each written deliverable the Consultant submits. MTA will review the quality of written deliverables and can either accept or reject the deliverable but does not have to pay the Consultant for additional rework done by the Consultant after a rejection. The proposed contract also states that MTA may provide feedback on contractor's staff.

At the beginning of each year of the contract, the MTA project team (made up of MTA staff and Consultant staff) will plan the year's deliverables, along with a cost estimate. Many of the Consultant's deliverables are expected to be reports assessing the design submissions that the train control supplier (the Supplier will hold a separate contract) will produce. The Consultant will review the designs and conduct risk assessments, cost analyses, and formal reports.

FISCAL IMPACT

The proposed agreement would approve an agreement with WSP/PGH Wong Joint Venture (the Consultant) for as-needed consulting services supporting the MTA's Train Control Upgrade Project (TCUP) for five years, with five one-year options to extend the agreement, for a total of ten years and an amount not to exceed \$36,000,000.

An estimate of annual expenditures, developed by MTA staff, for the ten years of the contract is shown in Exhibit 3 below. The contract primarily pays for labor costs of the consultants.

Exhibit 3: Ten-Year Labor Expenditure Estimate for the Consultant

Year of Contract	Core Team Labor*	Specialist Labor**	Non-Escalated Labor Costs	Escalated Labor Costs***
Year 1	\$3,628,006	\$1,613,367	\$5,241,373	\$5,241,373
Year 2	\$3,628,006	\$1,650,977	\$5,278,983	\$5,516,538
Year 3	\$3,628,006	\$1,111,524	\$4,739,530	\$5,175,686
Year 4	\$3,628,006	\$1,383,137	\$5,011,144	\$5,718,547
Year 5	\$3,628,006	\$1,315,514	\$4,943,521	\$5,895,241
5-year Total				\$27,547,384
Year 6	n/a	\$2,261,941	\$2,261,941	\$2,818,791
Year 7	n/a	\$1,813,664	\$1,813,664	\$2,361,862
Year 8	n/a	\$1,524,850	\$1,524,850	\$2,075,110
Year 9	n/a	\$478,711	\$478,711	\$680,775
Year 10	n/a	\$478,711	\$478,711	\$711,410
10-year Total				\$36,195,331

Source: MTA Cost Estimate

* Core team labor costs were calculated under the assumption that eight consultants will work full time (and co-locate with MTA staff) with their negotiated hourly rates that range from \$125.62 to \$338.27 for years one through five. These rates are inclusive of overhead and a seven percent profit.

** The specialist labor costs were calculated under the assumption that nine to 16 specialists will work on the project any given year for between 80 hours to 1920 hours per year. The specialists' negotiated hourly rates range from \$125.62 to \$463.86. These rates are inclusive of overhead, a seven percent profit, and three percent subconsultant fee (where applicable).

*** Under the contract billing rates increase by 4.5 percent each year, starting in year two.

Note: Actual contract spending will be capped by the proposed resolution's not to exceed amount.

As shown above, the cost of the proposed agreement would total \$27,547,384 for the first five years of the agreement. The estimated expenditures were developed by MTA staff based on the expected level of effort (hours) and the negotiated hourly labor rates of the consultants in Appendix B of the contract. MTA staff expect eight consultants to be staffed full-time and in-house on the project with between nine and sixteen consultants providing as-needed specialized support each year. There will be travel costs and other direct costs throughout the project in addition to the estimated labor costs.

Funding Source

This contract is funded by Federal Transit Administration (FTA) 5337 funds. Fund 5337 is the State of Good Repair Grants Program that provides capital assistance for maintenance, replacement, and rehabilitation projects for transit agencies to maintain their assets in a state of good repair. FTA 5337 funds cannot be used for operating transit services, but rather must be used for capital costs. FTA 5337 funds are an annual source of capital funding for the MTA and will cover the cost of this contract.

Not to Exceed Amount

At their meeting on August 6, 2024, the MTA's Board of Directors approved the contract for an initial term of five years, with five options to extend the term for an additional year, for a total of ten years and an amount not to exceed \$30,000,000 over the ten-year period. This was less than the SFMTA staff request for a \$36 million contract and less than the proposed resolution's not to exceed amount of \$36,000,000. The Board of Supervisors should amend the proposed resolution to reduce the not to exceed amount from \$36,000,000 to \$30,000,000, to be consistent with the value of the contract approved by the MTA Board of Directors.

POLICY CONSIDERATION

MTA should develop uniform performance monitoring standards for contracts, similar to the Public Utilities Commission (PUC), another enterprise department. PUC states in its Infrastructure Construction Management Procedures Manual that consultant performance evaluations must be completed annually for all agreements over \$500,000. MTA does not have uniform performance monitoring standards for its contracts, but rather conducts performance monitoring on a project-by-project basis.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the not to exceed amount from \$36,000,000 to \$30,000,000.
2. Approve the proposed resolution as amended.

Item 8 File 21-0811	Department: Office of the District Attorney (DAT)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution (a) authorizes the District Attorney to accept and expend \$2,986,360 in grant funding from the California Office of Emergency Services Victim Witness Assistance Program, (b) allows the District Attorney to accept and expend additional Victim Witness Assistance Program grant funding, if awarded by the State and (c) authorizes the District Attorney to enter into any other grant agreements related to the Victim Witness Assistance Program without further Board of Supervisors approval. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> The California Governor's Office of Emergency Services (Cal OES) provides funding to counties for victim support services. This resolution would approve the acceptance and expenditure of grants for the Victim Services Program in San Francisco, which operates under the Office of the District Attorney (DAT). For the past three years, the grants have been included in the Budget & Appropriation Ordinance, which has been sufficient authority for the Department to expend recurring grant funds. However, Cal OES is now requiring separate local legislation authorizing the acceptance of its grants. The proposed resolution's not to exceed amount is based on a grant award of \$1,385,540 in grant year one and an assumed award of \$800,410 in grant years two and three. As noted above, the proposed resolution provides delegated authority for the District Attorney to accept and expend additional funds from this grant program without further Board of Supervisors approval. Year one of the grant funds will be used to fund 12.0 full-time equivalent (FTE) investigator positions. This grant accounts for approximately 30% of the DAT's total Victim Services Program budget. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The proposed grants would provide \$2,986,360 in funding, requiring the City to contribute \$651,094 in matching funds. The FY 2024-25 – FY 2025-26 budget for the District Attorney includes General Fund appropriations to fund most of the rest of the DAT Victim Services Division, which is sufficient to meet the grant's matching funding requirement. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed resolution. 	

MANDATE STATEMENT

City Administrative Code Section 10.170-1 states that accepting or expending Federal, State, or third-party grant funds in the amount of \$100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors approval.

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

Administrative Provision 11.1 of the FY 2024-25 – FY 2025-26 Budget & Appropriation Ordinance states that recurring grants that are included in the budget ordinance are deemed approved and meet the requirements of Administrative Code Section 10.170-1 and Charter Section 9.118(a).

BACKGROUND**Victim Witness Assistance Program**

The California Governor's Office of Emergency Services (Cal OES) provides funding to counties for victim support services. This resolution seeks to approve and authorize the acceptance and expenditure of a grant for the Victim Services Program in San Francisco, which operates under the Office of the District Attorney (DAT). For the past three years, the grants have been included in the Budget & Appropriation Ordinance, which has been sufficient authority for the Department to expend recurring grant funds. However, Cal OES is now requiring separate local legislation authorizing the acceptance of its grants.

The District Attorney's Victim Services Program helps victims rebuild their lives by providing essential services such as court support, crisis intervention, counseling, and food vouchers. The program also engages in public outreach through presentations, intern training, and participation in mass victimization event planning. During the fiscal year between July 2023 and June 2024, the program served 7,568 victims, meaning contact was established and a service was provided based on the victim's needs. For example, these services included over 5,000 instances of court support and case status updates, more than 5,000 instances of providing victims with information about their rights, 2,000 crisis interventions, 600 instances of translation services, 500 restitution claims, and delivering over 100 individual counseling sessions for victims in San Francisco.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (a) authorizes the District Attorney to accept and expend \$2,986,360 in grant funding from the California Office of Emergency Services Victim Witness Assistance Program, (b) allows the District Attorney to accept and expend additional Victim Witness Assistance Program grant funding, if awarded by the State and (c) authorizes the District Attorney to enter into any other grant agreements related to the Victim Witness Assistance Program without further Board of Supervisors approval.

Grant Amount

According to Eugene Clendinen, DAT Chief, Finance and Administration, the grant is funded by a mix of state and federal sources, which vary from year to year. Beginning in the 2023-2024 grant cycle, California's OES reduced funding for the Victim Witness Assistance Program due to cuts in federal Victims of Crime Act (VOCA) funding. Although the State budget partially offset this reduction in 2023-2024, this additional support is not guaranteed in future years. For this reason, the proposed resolution's not to exceed amount is based on a grant award of \$1,385,540 in grant year one and an assumed award of \$800,410 in grant years two and three.¹ As noted above, the proposed resolution provides delegated authority for the District Attorney to accept and expend additional funds from this grant program without further Board of Supervisors approval.

Year one of the grant funds will be used to fund 12.0 full-time equivalent (FTE) investigator positions. This grant accounts for approximately 30% of the DAT's total Victim Services Program budget.

FISCAL IMPACT

The proposed grants would provide \$2,986,360 in funding, requiring the City to contribute \$651,094 in matching funds. The FY 2024-25 – FY 2025-26 budget for the District Attorney includes General Fund appropriations to fund most of the rest of the DAT Victim Services Division, which is sufficient to meet the grant's matching funding requirement. To maximize the use of funds for direct services, no indirect costs are included in the grant budget.

Exhibit 1: Estimated Grant Funding October 2023 through September 2026

Grant Year	Cal OES Grant	City Match
Oct 2023 - Sep 2024	\$1,385,540	\$313,306
Oct 2024 - Sep 2025	\$800,410	\$168,889
Oct 2025 - Sep 2026	\$800,410	\$168,889
Totals	\$2,986,360	\$651,094

Source: Proposed Grant Agreement

RECOMMENDATION

Approve the proposed resolution.

¹ The original award for grant year one was \$800,410, which was increased to \$1,385,540.