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: November 13, 2024 Budget and Finance Committee Meeting

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Item 1 File 24-0905	Department: City Administrator, Office of Labor Standards

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would amend the Administrative Code to establish a Worker Justice Fund to provide financial restitution to workers who have not received payment from their employers for violations of the City's Labor and Employment Code, such as minimum wage, paid sick leave, and the health care security ordinance.
- The ordinance would require the Office of Labor Standards Enforcement (OLSE) to administer the fund and make payments to workers.

Key Points

- The proposed ordinance would require OLSE to identify workers who have been victims of Labor and Employment Code violations, screen their claims, determine that the employer is unable to make restitution payments to workers, and determine the appropriate restitution payments to be paid from the Worker Justice Fund.

Fiscal Impact

- The proposed ordinance would result in OLSE losing penalty revenue as a funding source for its operations, which would instead be used to make payments to workers. In FY 2025-26, the first full fiscal year in which the proposed ordinance would be effective, OLSE's budgeted penalty revenues are $925,000.
- OLSE states it will also require four additional positions to administer the fund at an annual cost of approximately $820,000. However, we note that it may be possible to use existing position and spending authority within OLSE's budget to cover some of the workload associated with administering the fund, in which case the new staff funding may be reduced. The total annual impact on the General Fund is therefore between $1.3 to $1.7 million.

Policy Consideration

- According to OLSE, had the Worker Justice Fund requirements been in effect during the past three fiscal years, 449 workers would have received $2.3 million from the fund. The amount per year ranged from $0.2 million to $1.6 million. Actual penalty revenues over the past five fiscal years were $1.4 million, on average, per year. The Board of Supervisors could consider diverting a smaller portion of the OLSE penalty revenues to the Worker Justice Fund. This would reduce the amount of General Fund support required to backfill the penalty revenues diverted to the Worker Justice Fund.

Recommendation

- Because the proposed ordinance would create a new program that would require new spending from the General Fund, we consider approval to be a policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 2.105 states that all legislative acts shall be by ordinance, approved by a majority of the members of the Board of Supervisors.

BACKGROUND

Labor Regulators

Labor laws are enforced at the local level by the San Francisco Office of Labor Standards Enforcement, at the state level by the California Labor Commissioner's Office (LCO), and at the federal level by the Department of Labor. The California LCO (also known as the Division of Labor Standards Enforcement) is a state office within the California Department of Industrial Relations. Specifically, the LCO adjudicates wage claims on behalf of workers who file claims for nonpayment of wages, overtime, or vacation pay. A May 2024 state audit of the California LCO found that it is not providing timely adjudication of wage claims primarily because of insufficient staffing.[1] The audit found that the LCO is taking a median of 854 days to issue decisions—more than six times longer than the maximum 135 days specified in state law. Further, the audit found that the LCO Judgment Enforcement Unit is not successful in collecting judgments from employers; the enforcement unit collected the entire amount owed in only 12 percent of cases from January 2018 through November 2023.

Office of Labor Standards Enforcement

San Francisco's Office of Labor Standards Enforcement (OLSE) was established in 2001 by ordinance, tasked with enforcing 40 San Francisco labor laws adopted by San Francisco voters and the Board of Supervisors. The office also educates workers about their rights and helps them file complaints if their rights have been violated; and guides employers by helping them understand and follow San Francisco labor laws. In contrast to the state LCO, the San Francisco OLSE collected 99 percent of monies assessed from FY 2017-18 through FY 2022-23.

The San Francisco Labor and Employment Code covers worker protection ordinances, such as minimum wage, paid sick leave, and the health care security ordinance.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the Administrative Code to establish a Worker Justice Fund to provide financial restitution to workers for violations of the City's Labor and Employment Code. The ordinance would require OLSE to administer the fund and make payments to workers.

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[1] California State Auditor, 2023-104 The California Labor Commissioner's Office: Inadequate Staffing and Poor Oversight Have Weakened Protections for Workers, https://www.auditor.ca.gov/reports/2023-104/, May 20, 2024

The fund is intended to provide payment to workers when an employer is unable to make restitution payments for reasons such as business closure, bankruptcy, or insufficient assets. Workers may also receive payment if their employer is on a restitution payment plan that exceeds one year.

The ordinance defines a worker who is eligible to receive restitution from the fund as someone who has not received full payment of any portion of the money due from their employer within one year after either OLSE made a judgement determination, final adjudication of a lawsuit filed by the City Attorney, or the employer failed to make an agreed upon payment.

Worker Justice Fund Deposits and Spending

Under the proposed ordinance, the Worker Justice Fund would receive monies from penalty and liquidated damage revenues received by the City for violations of the San Francisco Labor and Employment Code, excluding monies designated for employees and monies needed to pay for the City's enforcement costs. Penalty payments are levied by OLSE on employers who violate labor laws.[2] The fund could also receive money by appropriations and donations.

The Worker Justice Fund would be a "category eight" fund, meaning it would be subject to an automatic appropriation, accumulation of interest, and a fund balance that carries forward into the following fiscal year. Automatic appropriation means that the Board of Supervisors would not have to approve spending from the fund; instead, spending would be approved by the Controller and OLSE.

New Duties of OLSE

The proposed ordinance would require OLSE to identify workers who have been victims of Labor and Employment Code violations, screen their claims, determine that the employer is unable to make restitution payments to workers, and determine the appropriate restitution payments to be paid from the Worker Justice Fund. The OLSE estimates that over the last three fiscal years, a total of 449 workers would have been eligible to seek restitution from the fund for an approximate total of $2.3 million; this equates to about 150 workers annually seeking an annual average of $780,000. The annual number of workers and total claim amount that would actually materialize once the fund is established is likely to be higher, according to OLSE. The OLSE believes that having a dedicated funding source for uncompensated labor violations will likely increase the number and complexity of claims it will need to investigate.

In addition, OLSE would be required to annually report to the Mayor and Board of Supervisors on activities in the Worker Justice Fund beginning in April 2026.

[2] Depending on the labor law, penalties can be $50 per violation per worker per day, or the cost of the OLSE investigation. Other penalties can be assessed for failure to produce documents, maintain records, or post required labor information posters, according to OLSE.

Worker Payment Priority

Further, the ordinance establishes a payment period from July 1 through August 15 annually that adheres to the following procedure:

- If the fund balance is sufficient to pay all eligible workers the full amount due, then OLSE shall pay that amount;
- If the fund balance is insufficient to pay all eligible workers, then OLSE shall make payments to groups of eligible employees based on the violation they have experienced using the following order of priority:
    - (1) minimum wage and personal services minimum contractual rate;
    - (2) paid sick leave, domestic workers' equal access to paid sick leave, public health emergency leave, and paid parental leave;
    - (3) health care security and health care accountability; and
    - (4) miscellaneous prevailing wages and minimum compensation.

If there are insufficient funds to pay all eligible workers in one of the priority groups listed above, then OLSE is required to divide the payments proportionally based on the amount due to each eligible worker in the group.

OLSE notes that the appropriation of all penalty revenue to the fund, and the proposed prioritization of payments differs from existing law. For example, under the current San Francisco Labor and Employment Code (LEC), unclaimed penalty revenue from minimum wage violations may only be used to enforce minimum wage violations (LEC Section 1.17).[3] The same is true for penalty revenue from Parental Leave violations (LEC 14.8.b.3). If the proposed ordinance is approved, these two Code sections would need to be amended in order to be consistent with the requirements of the Worker Justice Fund.

FISCAL IMPACT

The proposed ordinance would result in OLSE losing penalty revenue as a source for its operations and would require additional General Fund spending for new positions to implement the requirements of the Worker Justice Fund. In FY 2025-26, the first full fiscal year in which the proposed ordinance would be effective, OLSE's budgeted penalty revenues are $925,000. In addition, OLSE says it will require four additional positions at an annual cost of approximately $800,000. However, we note that it may be possible to use existing position and spending authority within OLSE's budget to cover some of the workload associated with administering the Worker Justice Fund, in which case the new staff funding may be reduced. We estimate total annual impact on the General Fund is therefore $1.3 to $1.7 million.

[3] The Minimum Wage Ordinance was adopted as a ballot measure and would need to be amended via ballot measure, according to OLSE.

Section 2 of the proposed ordinance directs the Treasurer-Tax Collector (TTX) to escheat (take ownership) of unclaimed funds that the City has retained on behalf of workers for three or more years and transfer the monies to the Worker Justice Fund as seed funding. According to Tajel Shah, Treasurer-Tax Collector Deputy Director, no additional funding is required by TTX to undertake this process. However, OLSE reports that the escheatment process would require additional workload on their part to conduct research and create a list of workers, identify amounts owed, and distribute funds or forward an escheatment list to TTX.

OLSE Budget

The OLSE generates revenue from penalty revenues and work orders from other City Departments. The remaining cost of its work is funded by the General Fund. Exhibit 1 below shows OLSE's budgeted and actual revenues and expenditures in FY 2023-24.

Exhibit 1: OLSE Budgeted Revenue and Expenditures, FY 2023-24

	Budget	Actual	Difference
Revenue			
General Fund	$4,521,635	$3,456,403	$1,065,232
Work Orders	1,734,806	1,429,418	305,388
Penalty Revenue	798,286	1,502,705	(704,419)
Total Revenue	**$7,054,727**	**$6,388,526**	**$666,200**
Expenditures			
Salary & Benefits	5,582,810	5,023,401	559,409
Services & Supplies	1,334,740	1,226,107	108,633
Work Orders	137,177	139,019	(1,842)
Total Expenditures	**$7,054,727**	**$6,388,526**	**$666,200**

Source: Financial System

Note: Negative revenue values indicate actual revenues were more than budgeted. Negative expenditure values indicate actual spending was more than budgeted. Penalty revenues collected from employers do not include worker restitution monies.

As shown above, in FY 2023-24, OLSE's expenditure budget was $7,054,727, which was funded by $798,286 in budgeted penalty revenues, $1,734,806 in work order revenues, and $4,521,635 in General Fund support. Actual penalty revenues collected from employers were $704,419 higher, totaling $1,502,705. Higher net revenue of $399,031 (from higher penalty revenue offset by less work order revenue) combined with lower actual expenditures of $666,200 resulted in $1,065,232 less General Fund support than budgeted.

The proposed ordinance would divert all penalty revenues not assigned to employees, removing this as a revenue source for OLSE. If the fund were in effect during FY 2023-24, the $1,502,705 in actual penalty revenue for FY 2023-24 would have been diverted to the Worker Justice Fund,

requiring some combination of the General Fund backfilling that revenue loss or for OLSE to reduce spending and associated labor enforcement activities.[4]

In FY 2024-25 and FY 2025-26, OLSE penalty revenue is budgeted at $925,000 in each fiscal year. If the proposed ordinance is approved, that funding source will have to be backfilled by the General Fund in order for OLSE to maintain its level of service.

Additional OLSE Staffing

OLSE estimates that it would require four full-time equivalent (FTE) Senior Analyst positions to administer the Worker Justice Fund at a total cost of $817,336 in FY 2025-26. According to the office, the staffing is based on the following: complexity of case settlements, establishing and managing the Worker Justice Fund, anticipated increase in case referrals, creation of an annual list of eligible workers, administration of payments, and annual reporting requirements. However, since the total amount of new claims is unknown and OLSE underspent its salary and benefit budget by $559,409 in FY 2023-24, we recommend the Board consider approving two instead of four new positions until the workload is better known. Adding positions to the OLSE budget would require separate legislative action, including possibly supplemental appropriation authority.

POLICY CONSIDERATIONS

Size of Worker Justice Fund

As noted above, according to OLSE, had the Worker Justice Fund requirements been in effect during the past three fiscal years, 449 workers would have received $2.3 million from the fund. The amount per year ranged from $0.2 million to $1.6 million. Actual penalty revenues over the past five fiscal years were $1.4 million, on average, per year. The Board of Supervisors could consider diverting a smaller portion of the OLSE penalty revenues to the Worker Justice Fund, such as a fixed deposit every year of 50 percent of actual penalty revenues or only the penalty revenues that exceed budgeted amounts every year. This would reduce the amount of General Fund support required to backfill the penalty revenues diverted to the Worker Justice Fund.

RECOMMENDATION

Because the proposed ordinance would create a new program that would require new spending from the General Fund, we consider approval to be a policy matter for the Board of Supervisors.

[4] Between FY 2019-20 and FY 2023-24, actual annual penalty revenue was $1.4 million, on average. The budget for such revenue was $525,000 through FY 2022-23, when it was increased to $798,286.

Item 2 File 24-1011	Department: Airport

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves the third modification to San Francisco International Airport's agreement with Professional Business Providers, Inc. (PBP). This amendment increases the contract amount by $13,349,549, bringing the total not-to-exceed amount to $26,464,164, and extends the contract term by two years to July 31, 2027.

Key Points

- San Francisco International Airport (Airport) owns three baggage handling systems (BHS) and 64 passenger boarding bridges in its domestic terminals. While some are operated and maintained by airlines under permits, others are the Airport's responsibility. Under an existing agreement, PBP provides operation, maintenance, and repair services to the Airport for the Airport-owned baggage handling systems (BHS) in Terminal 2 and 51 passenger boarding bridges across Boarding Areas B, C, and D.
- In July 2022, the Board of Supervisors approved the original agreement with PBP with an initial term from August 1, 2022, to July 31, 2025, and a not-to-exceed amount of $13,114,615. The original agreement included one two-year option to extend through July 31, 2027.
- The original agreement has been administratively modified twice by the Airport Director to update overtime provisions and increase staffing levels and the annual allowance for parts and materials. The proposed Modification No. 3 accounts for costs associated with the two-year extension, increased staffing and annual allowance for parts under the second modification, and higher-than-expected labor expenses incurred during the initial term.

Fiscal Impact

- The proposed increase to the not to exceed amount of $13.3 million, includes $2.0 million for expenditures in Year 3 of the existing term and approximately $11.3 million for expenditures in the extended term in Years 4 and 5. The agreement includes funding for 24 full-time equivalent employees.
- The contract costs are billed back to the airlines based on their prorated share of passengers.

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) any modification to such contracts of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

San Francisco International Airport (Airport) owns three baggage handling systems (BHS) and 64 passenger boarding bridges in its domestic terminals. While some of these systems are operated and maintained by airlines under permits, others remain the Airport's responsibility to operate and maintain. These include the BHS in Harvey Milk Terminal 1 and the BHS in Terminal 2, along with 51 passenger boarding bridges across Boarding Areas B, C, and D.

The Airport selected Professional Business Providers, Inc. (PBP) to provide operation, maintenance, and repair services for Airport-owned BHS and passenger boarding bridges in the domestic terminals through a competitive process. The Terminal 1 baggage handling system is a under a separate contract with Beumer Lifecycle Management LLC.

In July 2022, the Board of Supervisors approved a Professional Services Agreement with PBP with an initial term from August 1, 2022, to July 31, 2025, and a not-to-exceed amount of $13,114,615 (File 22-0656). The original agreement included one two-year option to extend through July 31, 2027.

Contract Modifications

The original agreement has been administratively modified twice by the Airport Director. The first modification was approved February 1, 2023, and updated overtime provisions and standard contractual language without altering the contract amount. The second modification was approved July 1, 2024, and increased the annual allowance for parts and materials, increased staffing levels due to the addition of passenger boarding bridges to the scope of services and made other changes to standard contractual language with no change to the total not-to-exceed amount.

On October 1, 2024, the Airport Commission approved the proposed third modification to the agreement.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves the third modification to the Airport's agreement with Professional Business Providers, Inc. (PBP). This amendment increases the contract amount by $13,349,549, bringing the total not-to-exceed amount to $26,464,164, and extends the contract term by two years, from the original expiration date of July 31, 2025, to July 31, 2027.

Under the proposed modification, PBP would continue to provide operation, maintenance, and repair services for the Airport-owned baggage handling system (BHS) in Terminal 2, along with 51 passenger boarding bridges across Boarding Areas B, C, and D. As discussed below, the Airport is proposing to increase the not to exceed amount to cover the extended term as well as higher than anticipated expenditures in the initial term.

Past Performance

The Airport uses three performance measures for the contract: the Availability Standard, which tracks the amount of time that equipment is available for use, the Preventive Maintenance Standard, which tracks the percentage of preventive maintenance inspections that are completed on time, and the Tracking Accuracy Standard, which tracks the accuracy of baggage sorted by the baggage handling system. The benchmarks are 98 percent for the Preventive Maintenance Standard and 97 percent for the Availability and Tracking Accuracy Standards.

PBP's performance under the existing contract has been generally satisfactory according to Airport staff. According to information provided by the Airport on average monthly performance between September 2023 and August 2024, PBP exceeded performance benchmarks for four out of six standards. The benchmarks and actual performance are outlined in the table below.

Exhibit 2: PBP Performance on Key Benchmarks, September 2023 to August 2024

Standard	Benchmark (%)	PBP Performance Monthly Average (%)
Preventive Maintenance	98.00	**100.00**
Equipment Availability (Baggage Handling System)	97.00	**99.89**
Equipment Availability (Bridges)	97.00	**99.76**
Tracking Accuracy (Checked Baggage Inspection System)	97.00	**99.80***
Tracking Accuracy (Sortation)	97.00	**92.16**
Tracking Accuracy (Tag Reader)	97.00	**95.52**

Source: Airport

*Reflects average performance between June 2024 and August 2024 as data was not available for the first nine months of the period

PBP has not met some elements of the Tracking Accuracy Standard, however, the Airport attributes these shortcomings largely to external factors beyond the contractor's control. According to Airport staff, staffing shortages for airline ground handlers can reduce baggage sortation tracking accuracy, and airline-owned bag tag printer performance issues can diminish tag reader tracking accuracy.

FISCAL IMPACT

The proposed Modification No. 3 would increase the contract amount by $13,349,549, resulting in a total not-to-exceed amount of $26,464,164 for the extended contract term through July 31,

2027. This increase accounts for the costs associated with the two-year extension and the addition of staff to maintain 11 additional passenger boarding bridges which began on July 1, 2024 pursuant to the second modification. It also covers the increased annual allowance for parts under the second modification and higher-than-expected labor expenses incurred during the initial term, including prevailing wage shift differentials, overtime, and holiday shift coverage that were not fully anticipated in the original agreement. The agreement includes funding for 24 full-time equivalent employees.

Exhibit 3: Proposed Budget

Years	Year 1 Actuals	Year 2 Actuals	Year 3 Projection	Year 4 Projection	Year 5 Projection	Total
Labor	$3,791,435	$4,050,142	$3,996,158	$4,259,426	$4,535,857	$20,633,018
Mobilization	50,000					50,000
Management Fee	472,320	472,320	472,320	472,320	472,320	2,361,600
Other Direct Costs	174,315	132,026	176,500	176,500	176,500	835,841
Equipment	91,333	91,333	115,000	115,000	115,000	527,666
Parts	184,688	355,201	400,000	400,000	400,000	1,739,889
As-Needed Services			105,382	105,382	105,382	316,146
Total	**$4,764,092**	**$5,101,023**	**$5,265,360**	**$5,528,628**	**$5,805,059**	**$26,464,164**

Source: Airport
Note: Totals may not add due to rounding

The Airport projects approximately $15.1 million in expenditures under the existing term, which exceeds the current not to exceed amount by approximately $2.0 million (15 percent). The proposed increase to the not to exceed amount of $13.3 million, includes $2.0 million for expenditures in Year 3 of the existing term and approximately $11.3 million for expenditures in the extended term.

Funding Source

According to Airport staff, the contract costs are billed back to the airlines based on prorated share of passengers. For those gates assigned as common use, the contract costs are built into the Airport's Common Use Fees along with other shared costs and charged to Airlines on a "per use" basis.

RECOMMENDATION

Approve the proposed resolution.

Item 3 File 24-1043	Department: Municipal Transportation Agency (MTA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a contract between the San Francisco Municipal Transportation Agency (MTA) and Hitachi Rail GTS USA Inc. (Hitachi) to design and support operations of a new Communications-Based Train Control System for a total contract term of up to 29 years, including a nine-year term and not to exceed amount of $212,093,633 for design, followed by a ten-year term and not to exceed amount of $114,070,833 to support operations after installation, and two five-year options and not to exceed amount of $237,681,185 to extend support.

Key Points

- The Train Control Upgrade Project will replace the Muni's Automatic Train Control System in the subways with a Communications-Based Train Control (CBTC) System and expand train control to the surface portions of the light rail system over nine years. In December 2022, the Board of Supervisors authorized the MTA to issue a Request for Proposals for a CBTC System for an anticipated contract term exceeding ten years and authorized MTA to use a negotiated procurement process. The MTA selected Hitachi to design, procure, and maintain the CBTC System through a competitive process.
- The proposed resolution allows the Director of Transportation to approve additions and amendments up to the amount of $2,000,000 per modification. This would provide SFMTA unlimited ability to amend this contract without further Board of Supervisors' approval.

Fiscal Impact

- The $212.1 million budget for design includes $158.5 million for the existing project scope and $53.6 million for six defined options to enhance the project scope.
- The not to exceed amount of $114.1 million for the initial 10-year support term and $237.7 million for the extended term assumes the contractor receives the maximum monthly payment, including a performance incentive and six percent annual escalation.

Policy Consideration

- The support services provided under the proposed agreement are projected to cost approximately $2 million more per year than the costs to maintain the existing train control system, signaling equipment, and onboard equipment.

Recommendations

- Amend the resolution to clarify that the total not to exceed amount of the contract is $563,845,651 and allow the Director of Transportation to approve amendments up to a total of five percent of the total contract amount, or $28,192,283, rather than an unlimited number of amendments of up to $2 million, and approve the 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.

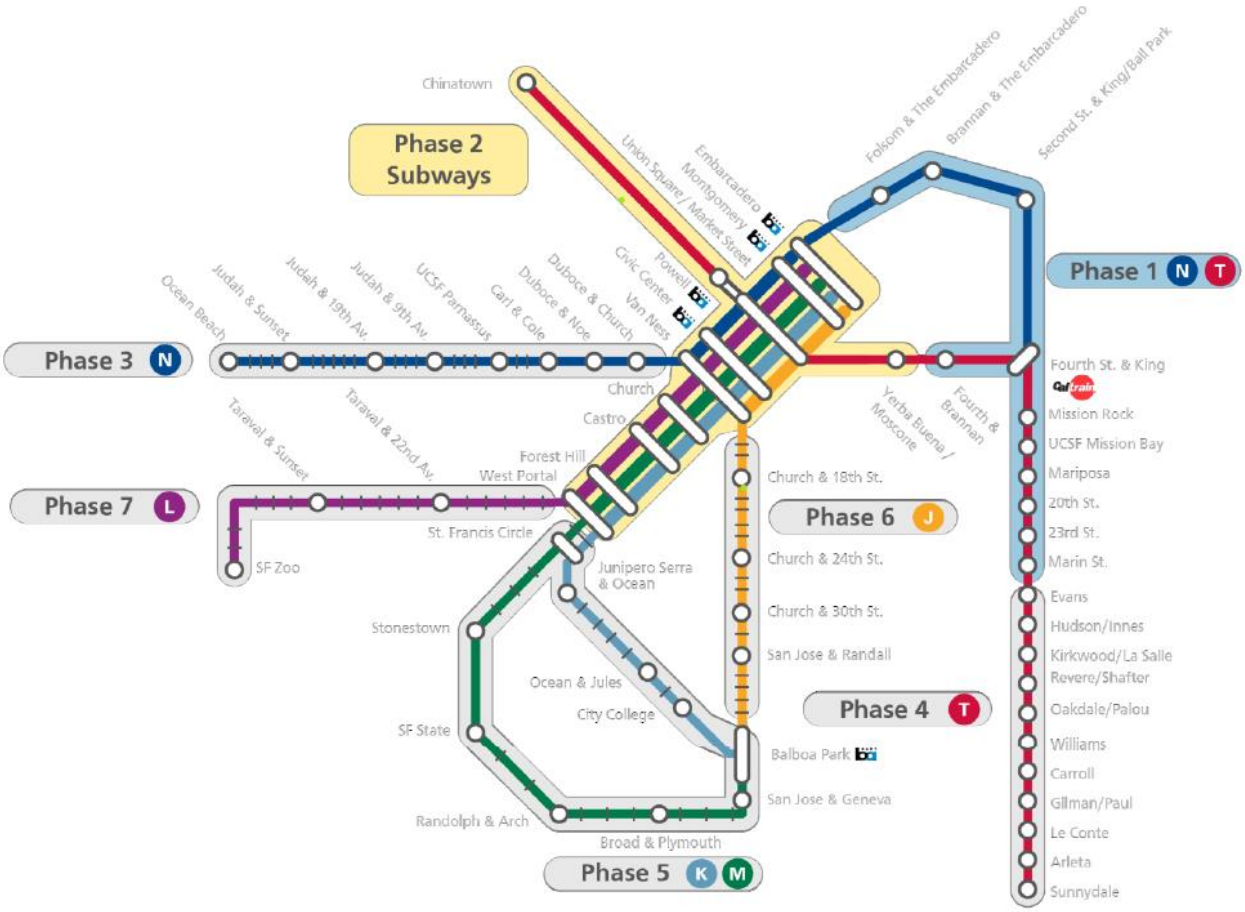
BACKGROUND

MTA's Train Control Upgrade Project

The San Francisco Municipal Transportation Agency (MTA) manages the Muni Metro light rail system, which has relied on an Automatic Train Control System (ATCS) to operate trains underground 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 and expand train control to the surface portions of the light rail system under the Train Control Upgrade Project. 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.

The Train Control Upgrade Project will replace the Muni's ATCS and bring the entire Muni rail network under a single train control and supervision system in seven phases over nine years. Phase 1 will introduce the CBTC system to the northern Third Street and Embarcadero surface street corridors. Phase 2 will replace the ATCS system in the Market Street Subway and Central Subway. Phases 3 through 7 will extend the new control system to the remaining surface street lines, as shown in Exhibit 1 below.

Exhibit 1: Train Control Upgrade Project Phasing



Source: MTA

All phases of the train control upgrade are expected to take a total of eight years, from 2025 to 2032, including design, installation, testing, and acceptance by SFMTA. Exhibit 2 shows the estimated start and end date of each phase.

Exhibit 2: Project Phasing

Phase	Start	End
Phase 1	11/2026	7/2028
Phase 2	9/2027	2/2030
Phase 3	5/2028	8/2030
Phase 4	1/2029	1/2031
Phase 5	9/2029	7/2031
Phase 6	5/2030	12/2031
Phase 7	2/2031	7/2032

Source: SFMTA

Procurement

In 2018, the MTA released a Request for Information to potential vendors to gauge vendor interest and determine the capacities of CBTC systems. MTA received responses from eight vendors, five of which met federal contracting requirements. Two subsequent mergers of the five vendors that met federal contracting requirements reduced the number of potential vendors to three. In July 2022, MTA released a follow-up RFI that included the final requirements of the Request for Proposals (RFP) and viability of the anticipated contract given changes in the industry after the COVID-19 pandemic.

In December 2022, the Board of Supervisors authorized the MTA to issue an RFP for a CBTC System for an anticipated contract term exceeding ten years and authorized MTA to use a negotiated procurement process (File 22-0948). This enabled the MTA to issue an RFP for both design and long-term support of the CBTC system. Because CBTC systems are proprietary, only the system vendor can provide system support. Once the system is installed, the vendor has an advantage in negotiating sole-source support contracts. MTA pursued the proposed contract model to negotiate the support contract terms before the system was installed.

In March 2023, the MTA released a two-stage RFP for the CBTC Supplier contract. An evaluation panel[1] determined that both proposers qualified for the second stage, the Request for Best and

[1] The evaluation panel for both stages of the RFP included a Technical Evaluation Committee and a Quantitative Evaluation Committee. The Technical Evaluation Committee consisted of the MTA Transit Division Chief Project Manager, the MTA Transit Division Principal Infrastructure Development Manager, the MTA Technology Solutions & Integration Manager, and the MTA Transit Division TMC Operations Manager. The Quantitative Evaluation Committee consisted of the Train Control Upgrade Project Contracts Analyst, the Transit Operations Managements

Final Offers (BAFO). In March 2024, the MTA released the Request for BAFOs with clarifications and refinements to the project scope based on the first stage responses. Based on the scores determined by the same evaluation panel, Hitachi Rail GTS USA (Hitachi) was determined to be the highest-ranking proposer and was selected for contract award. Hitachi is the supplier of the existing ATCS system. Exhibit 3 shows the scoring from the two-stage RFP.

Exhibit 3: RFP Scores

Proposer	Round 1 Score (Out of 100)	Round 2 Score (Out of 100)
Hitachi Rail GTS USA	76.09	73.09
Siemens	55.13	58.36

Source: MTA

Supplier, Installer, and Consulting Contracts

The Hitachi Supplier contract includes design, procurement, and maintenance of the CBTC system. The MTA will contract separately for the installation of train control equipment. In addition, the MTA is contracting with WSP/PGH Wong Joint Venture to provide as-needed consulting services to support the Train Control Upgrade Project. In September 2024, the Board of Supervisors approved the contract with WSP/PGH Wong (File 24-0814).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a contract between the MTA and Hitachi Rail GTS USA Inc. to design, implement, and support operations of a new Communications-Based Train Control System for a total contract term of up to 29 years, including a nine-year term and not to exceed amount of $212,093,633 for design, followed by a ten-year term and not to exceed amount of $114,070,833 to support operations after installation, and two five-year options and not to exceed amount of $237,681,185 to extend support.

We recommend the Board of Supervisors amend the proposed resolution to clarify the total not to exceed amount of the contract, which, as proposed, does not have a cap. The contract on file totals $563,845,651.

Delegated Authority

The proposed resolution allows the Director of Transportation to approve additions and amendments to the contract necessary to deliver the project up to the amount of $2,000,000 per contract modification. This would provide SFMTA unlimited ability to amend this contract without further Board of Supervisors' approval. As discussed below, 25 percent of the design budget ($53.6 million out of the total initial cost of $212.1 million) is for optional service add-ons

Assistant, and the MTA Technology Solutions & Integration Principal Administrative Analyst. In Round 1, the Manager of Engineering Liaison from the BART CBTC Project was also a member of the Technical Evaluation Committee, but this individual did not participate in the second stage of the evaluation due an injury.

that MTA is still evaluating and may not be included in the project scope. If the MTA elects not to proceed with these options, the budgeted amounts will effectively provide additional contingency for the existing project scope. In addition, the contract's not-to-exceed amount already assumes six percent annual inflation adjustments for most line items, which exceeds historical inflation by three to four percent (outside the COVID-induced changes to prices in 2021 and 2022).

We recommend that the Board of Supervisors amend the proposed resolution to allow the Director of Transportation to approve additions and amendments to the contract necessary to deliver the project up to a total amount equal to five percent of the total contract amount, or $28,192,283. This will provide flexibility to the MTA to approve scope changes while also requiring Board of Supervisors' approval if the total contract amount increases by more than five percent, which may indicate that the project has changed significantly or requires Board of Supervisors' intervention. If the Board of Supervisors wishes to allow the Director of Transportation to approve amendments up to five percent of the total contract amount, MTA could increase the contract amount up to $592,037,934 without Board of Supervisors' approval.

Scope of Work and Design Options

The first part of the contract includes design of the CBTC system, procurement of software and equipment, and system testing. The CBTC system will be installed in phases across the Muni Metro light rail system as shown in Exhibit 1 above. The contractor will test the CBTC system at the end of each phase to ensure it meets performance standards. The second part of the contract includes system support following installation. System support responsibilities of the contractor include: supplying spare and replacement parts, software updates, diagnostics and troubleshooting, and other technical services to aid the MTA in maintaining the CBTC system.

The MTA may exercise six defined options to enhance the scope of work under the proposed agreement for design and procurement, including the provision of additional vehicle equipment (Options 1, 2, and 3), the purchase of additional interlocking equipment (Option 4) and additional central emergency stop buttons for backup control (Option 5), and additional design services for heritage streetcar of maintenance vehicles (Option 6). MTA structured these as options to lock-in pricing while giving the MTA more time to evaluate the technical approach before committing to including them in the project scope according to MTA staff. As mentioned above, there are also two five-year options to extend the term of the support portion of the contract, referred to as Options 7 and 8.

Subcontractors

The agreement approves the following list of subcontractors:

- Syntony SAS to provide software services
- Anta Electric to provide power systems and equipment
- SacTown Logistics, LLC to provide warehousing and storage services
- Clark Transportation Consulting & Services, LLC dba Bison Rail Systems to provide electrical design services and equipment

- Accio Ads LLC dba Veterans Logistics Group to provide warehousing, storage and delivery services

Milestone Deadlines and Payments

The proposed agreement provides a series of milestones deadlines for the contractor to complete the work for each phase of the design portion of the contract and corresponding milestone payments payable to the contractor upon completion of the milestone. Exhibit 4 below summarizes the milestone payments and deadlines for each phase based on the number of years from the notice to proceed (NTP). The ten phases below include the seven phases shown in Exhibit 1 above plus the system design phase and two phases to deliver central equipment and equipment for vehicles.

Exhibit 4: Milestone Deadline and Payment Summary by Phase

Phase	Description	First Milestone (in Years from NTP)	Last Milestone (in Years from NTP)	Estimated Milestone Payment
1	CBTC System design and engineering services	0.0 (15 days)	2.5	$43,233,884
2	Central equipment, simulators, tools, and initial training	2.5	9.0	18,025,207
3	On-board computers and equipment for LRVs	2.2	5.1	18,127,571
4	Pilot (N & T)	1.8	6.6	23,447,108
5	Subway Replacement*	2.6	6.6	18,341,550
6	N Expansion*	3.3	7.1	8,410,078
7	T Expansion*	4.0	7.5	8,304,862
8	K & M Expansions*	4.7	8.0	9,830,764
9	J Expansion*	5.4	8.4	4,963,924
10	L Expansion*	6.1	9.0	5,774,563

Source: Proposed Agreement
Notes: NTP refers to Notice to Proceed. Estimated milestone payments for phases five through ten include the maximum annual escalation of six percent. Milestone payments include contract labor and parts.

Retained Funds

For phases 4 through 10 shown above, five percent of the milestone payment is retained by MTA. Half of the retained funds are released when the MTA conditionally accepts the Subway Replacement phase (Phase 5) and the agreement is free from offsets for liquidated damages, claims, and defective work. The remaining half of retained funds is released when the MTA has finally accepted the CBTC system and the contract is free from offsets.

Project Delays

The agreement provides for the contractor to pay damages to the City if the project is delayed beyond the deadlines in the contract schedule except in the event of an "unavoidable delay" beyond the control of the contractor, such as changes in the work ordered by the City, delays caused by the City or the Installers, and force majeure events. In addition, the agreement provides for the contractor to pay damages to the City for requesting closures to trackways and rail lines on short notice (less than 180 days), exceeding the closure period in the closure permit, and for cancelling or postponing a closure.

Performance

The proposed agreement includes performance targets for the CBTC system (such as system availability and maximum hours spent on corrective maintenance) and service levels for technical support services, including response and resolution timelines for issues reported by the MTA.

Once the system is installed, the monthly support service fees are adjusted based on the system's actual performance compared to the performance targets. The contractor will receive between 80 percent and 108 percent of the monthly support fee based on performance according to calculations provided in Appendix B. Performance targets that impact contractor support fees are shown in Exhibit 5 below.

Exhibit 5: Performance Targets Impacting Support Service Fees

Performance Measure	Target
Availability	99.96%
Reduction in Operating Margin Events*	88
Loss of Critical Function	1
Unsatisfactory Issues Tally	0

Source: Proposed Agreement

*According to MTA staff, Operating Margin Events are failures that require MTA resources to resolve but do not impact service

FISCAL IMPACT

The proposed agreement has a total not to exceed amount of $563,845,651, including $212,093,633 for design, $114,070,833 to support operations for ten years after installation, and $237,681,185 to support operations for an additional ten years if the options to extend are exercised.

Design and Procurement Costs

Exhibit 6 below shows the design and procurement budget totaling $212.1 million. The budget includes $158.5 million (75 percent) for the existing project scope and $53.6 million (25 percent) for six defined options to enhance the project scope. If the MTA elects not to proceed with these options, the budgeted amounts will effectively provide additional contingency for the existing project scope.

Exhibit 6: Train Control Supplier Contract (Design and Procurement Only)

Train Control Supplier Contract (Procurement)	Cost
CBTC System design and engineering services	$43,233,884
Central equipment, simulators, tools, and initial training	18,025,207
On-board computers and equipment for LRVs	18,127,571
Wayside equipment and testing services for Initial Technology Demonstration	23,447,108
Wayside equipment and testing services for Subway Replacement Phase*	18,341,550
Wayside equipment and testing services for subsequent surface phases*	37,284,190
Subtotal Train Control Supplier Contract (Procurement)	**$158,459,510**
Option 1: Additional LRV onboard equipment (up to 30 vehicles)*	5,516,283
Option 2: Heritage Streetcar onboard equipment (up to 50 vehicles)*	13,923,770
Option 3: Maintenance vehicle onboard equipment (up to 30 vehicles)*	10,803,013
Option 4: Equipment and design services for motorizing up to 10 additional surface rail junctions*	10,226,551
Option 5: Backup control center equipment	656,305
Option 6: Additional design services to support Heritage Streetcar and/or Maintenance Vehicles	12,508,200
Subtotal, Options 1-6	**$53,634,122**
Not to Exceed Amount	**$212,093,633**

Source: MTA
*Estimated costs include the maximum annual escalation of six percent. All other costs are unescalated.

Support Costs

The contract establishes an original monthly support fee of $373,511 for the initial term, $446,139 for the first five-year extension, and $518,344 for the second five-year extension. The original monthly support fee is subject to an "economic price adjustment" based on labor and materials indices published by the U.S. Department of Labor, Bureau of Labor Statistics to account for cost escalation up to a maximum of six percent per year. The support fee is also adjusted based on contractor performance. The contractor will receive between 80 percent and 108 percent of the original monthly support fee (adjusted for escalation) based on performance. The not to exceed amount of $114.1 million for the initial 10-year support term and $237.7 million for an additional 10-years of support if both options are exercised assumes the contractor receives the maximum monthly payment over the entire term, including the performance incentive and six percent annual escalation.

The contractor will provide phased-in support during the initial nine-year term (design phase) as the system is installed. The not to exceed amount of $114.1 million in the proposed resolution

for the initial ten-years of support following system installation includes approximately $12.4 million for phased in support provided during the design phase, as shown in Exhibit 7 below.[2]

[2] Section 4.5(c) of the proposed agreements states that the not to exceed amount of the procurement term is $224,469,989. This includes the $212,093,633 of the procurement phase plus phased-in support of $12,376,356.

Exhibit 7: Support Costs by Contract Year

Contract Year	Unadjusted Cost ($2024)	Performance Incentive (8%)	Escalation (6% annual)	Maximum Cost
8	2,465,175	197,214	1,114,261	3,776,650
9	2,801,335	224,107	1,523,704	4,549,146
10	2,353,122	188,250	1,509,189	4,050,560
Subtotal, Phase-in	***$7,619,632***	***$609,571***	***$4,147,153***	***$12,376,356***
10	4,482,137	358,571	2,874,645	7,715,352
11	4,482,137	358,571	3,337,566	8,178,273
12	4,482,137	358,571	3,828,262	8,668,970
13	4,482,137	358,571	4,348,401	9,189,108
14	4,482,137	358,571	4,899,747	9,740,455
15	4,482,137	358,571	5,484,174	10,324,882
16	4,482,137	358,571	6,103,667	10,944,375
17	4,482,137	358,571	6,760,330	11,601,037
18	4,482,137	358,571	7,456,392	12,297,099
19	4,482,137	358,571	8,194,218	13,034,925
Subtotal, Support Term	***44,821,366***	***3,585,709***	***53,287,402***	***101,694,477***
Subtotal, Phase-in & Initial Support Term Not to Exceed	***$52,440,998***	***$4,195,280***	***$57,434,555***	***$114,070,833***
20	5,353,671	428,294	10,721,724	16,503,689
21	5,353,671	428,294	11,711,945	17,493,910
22	5,353,671	428,294	12,761,580	18,543,544
23	5,353,671	428,294	13,874,192	19,656,157
24	5,353,671	428,294	15,053,562	20,835,527
Subtotal 1st Extension	***26,768,356***	***2,141,468***	***64,123,002***	***93,032,826***
25	6,220,133	497,611	18,942,355	25,660,098
26	6,220,133	497,611	20,481,961	27,199,704
27	6,220,133	497,611	22,113,943	28,831,686
28	6,220,133	497,611	23,843,844	30,561,587
29	6,220,133	497,611	25,677,539	32,395,283
Subtotal, 2nd Extension	***31,100,664***	***2,488,053***	***111,059,642***	***144,648,359***
Subtotal, Extension Options Not to Exceed	***$57,869,020***	***$4,629,522***	***$175,182,644***	***$237,681,185***
Total	**$110,310,017**	**$8,824,801**	**$232,617,199**	**$351,752,018**

Source: MTA

Development of Contract Budget and Independent Cost Estimate

According to MTA staff, MTA negotiated the contract amounts for design and support based on the bid provided by Hitachi in response to MTA's Request for Best and Final Offers. Hitachi's bid was lower than the other respondent's.

The contract amounts for design and support are within the ranges for bids calculated in the independent cost estimate prepared by WSP USA in March 2023 for MTA based on a price analysis of other CBTC projects.

Funding Sources

Anticipated capital funding sources for the design portion of the contract totaling $212.1 million include:

- $136.4 million in federal FTA 5337 State of Good Repair funds;
- $15.2 million in Caltrans SB1 State of Good Repair funds;
- $53.0 million in State Transit and Intercity Rail Program (TIRCP) funds; and
- $7.5 million in required baseline contributions from the City's General Fund to MTA

Support services will be funded by the MTA operating budget starting in FY 2031-32.

Total Capital Project Costs

Capital costs for the Train Control Upgrade project total $700 million, including approximately $212 million for procurement of the train control system under the Hitachi train control supplier contract, as shown in Exhibit 8 below.

Exhibit 8: Train Control Upgrade Project Capital Costs

	Amount ($millions)
Train control supplier contract (Procurement only)	$212 million
Network infrastructure and systems integration	64 million
Installation contracts	99 million
Project management and engineering	102 million
Consultant contract	30 million
Testing, training and operational Support	53 million
Contingency (25%)	140 million
Total Project Budget	**$700 million**

Source: MTA

Although funding for the proposed agreement has been identified, the project has a $57 million funding gap according to the MTA letter to the Board of Supervisors on the proposed agreement. The MTA intends to identify the remaining funding for the project through grants and future bond measures.

POLICY CONSIDERATION

Comparison to Existing Support Costs

According to an October 2024 memo prepared by MTA staff, the support services provided under the proposed agreement are projected to cost approximately $2 million more per year than the costs to maintain the existing train control system, signaling equipment, and onboard equipment. MTA would receive the following benefits in exchange for the increase in support costs: annual software updates, on-site support technicians compared to remote support under current support agreements, contractor shares in risk of failure with flat rates provided for spare parts, and established performance levels enforced by adjustments to monthly payments. The memo also states that costs to maintain the existing system are likely underestimated, which overstates the cost increase to support the new system.

RECOMMENDATIONS

1. Amend the proposed resolution to clarify that the total not to exceed amount of the contract is $563,845,651.
2. Amend the proposed resolution to allow the Director of Transportation to approve additions and amendments to the contract necessary to deliver the project up to a total amount equal to five percent of the total contract amount, or $28,192,283, rather than an unlimited number of contract amendments of up to $2 million.
3. Approve the proposed resolution as amended.

Item 4 File 24-1009	Department: Office of Contract Administration

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution authorizes the Office of Contract Administration (OCA) to enter a contract with Underground Republic Water Works, Inc. for the supply of plumbing materials. The contract establishes a not-to-exceed amount of $50,400,000, with an initial term of five years from January 1, 2025, to December 31, 2029. It includes an option to extend the contract for an additional two years, for a total potential term of seven years, concluding on December 31, 2031.

Key Points

- Between 2021 and 2023, City departments spent approximately $31 million on plumbing supplies, averaging $10.3 million annually. Approximately 87 percent of these purchases were made through OCA term contracts. The San Francisco Public Utilities Commission (SFPUC) is the primary user of plumbing supplies, utilizing them for the operation of water treatment plants, sewage systems, and water distribution networks.
- In July 2024, the OCA issued an Invitation for Bids (IFB) to establish new term contracts for plumbing supplies. OCA plans to award contracts to five of the six respondents to the solicitation. Underground Republic Water Works, Inc. submitted the lowest responsive and responsible bids for multiple product lines in Product Group A1 (items 7, 8, 9, 11, 13, 16, 18, 26, and 29) and for all items in Product Group A2.
- Under the proposed agreement, City departments will have access to a range of plumbing supplies at discounted rates. For product group A1, Departments can procure products from nine different manufacturers at fixed percentage discounts off the manufacturers' list prices. For product group A2, Departments will have access to 472 specific plumbing items that cover various categories essential for maintenance and infrastructure projects, including brass fittings, cast iron components, clamps, copper materials, gaskets, valves, meter boxes, steel materials, tie rods, and more.

Fiscal Impact

- The total not-to-exceed amount of $50,400,000 is based on historical and projected spending over the contract's estimated term of seven years, averaging approximately $7.2 million per year.
- Funding for this contract will be provided through the existing operating budgets of City departments that utilize plumbing supplies.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

The City manages an extensive network of public facilities, including hospitals, government offices, and utility infrastructure. Proper maintenance of these facilities is essential to ensure the health, safety, and well-being of the public and City employees. Plumbing supplies play a critical role in this maintenance, enabling the repair and enhancement of water and wastewater systems.

The San Francisco Public Utilities Commission (SFPUC) is the primary user of plumbing supplies. The SFPUC relies on these materials for the operation of water treatment plants, sewage systems, and water distribution networks.

Exhibit 1: Top 5 City Departments by Total Plumbing Supplies Expenditures (2021-2023)

Department	2021	2022	2023	Total	Annual Average
Public Utilities Commission	$7,341,493	$10,045,492	$6,369,363	$23,756,348	**$7,918,783**
Public Works	1,048,542	1,248,539	1,494,546	3,791,626	**1,263,875**
Airport	344,993	401,224	827,141	1,573,358	**524,453**
Public Health	89,502	161,640	376,199	627,341	**209,114**
Municipal Transportation Agency	190,086	58,622	73,069	321,777	**107,259**
Other Departments	171,829	265,037	529,360	966,227	**322,075**
Total	**$9,186,445**	**$12,180,554**	**$9,669,678**	**$31,036,677**	**$10,345,559**

Source: OCA Memo

Between 2021 and 2023, City departments expended approximately $31 million on plumbing supplies, averaging $10.3 million annually. Approximately 87 percent of these purchases were made through Office of Contract Administration (OCA) term contracts. The remaining purchases were made through department issued contracts and purchase orders not associated with a contract.

Procurement Process

On July 24, 2024, the OCA issued an Invitation for Bids (IFB) to establish new OCA term contracts for plumbing supplies. The IFB was structured into two product aggregates to address departmental requirements:

- Aggregate 1 (A1) comprised 30 product lines, each representing different manufacturers. Bidders could submit offers on any or all lines, and contracts were awarded to the lowest responsive and responsible bidders for each line.
- Aggregate 2 (A2) included 472 specific plumbing items primarily utilized by the SFPUC. Bidders were required to submit bids for all items within this aggregate, and the contract was awarded to the lowest responsive and responsible bidder for the entire set.

The IFB also provided an estimated not to exceed amount for each product line, based on historical spending.

Proposals were evaluated based on cost. For product group A1, proposals were evaluated based on the percentage discount off the manufacturer's list price. For product group A2, proposals were evaluated based on the pricing for each item.

OCA received bids from six respondents, one of which was determined to be non-responsive. OCA awarded six contracts to five respondents[1]. Underground Republic Water Works, Inc. (Underground) submitted the lowest responsive and responsible bids for multiple product lines in A1 (7, 8, 9, 11, 13, 16, 18, 26, & 29) and for all items in the A2 product group. OCA recommends awarding the contract to Underground for these aggregates.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes the Office of Contract Administration to enter into a contract with Underground Republic Water Works, Inc. for the supply of plumbing materials. The contract establishes a not-to-exceed amount of $50,400,000, with an initial term of five years, commencing on January 1, 2025, and concluding on December 31, 2029. The agreement includes an option to extend the contract for an additional two years, for a total potential term of seven years, concluding on December 31, 2031.

Scope of Services

Under this agreement, City departments will have access to a range of plumbing supplies at discounted rates . For product group A1, Departments can procure products from nine different manufacturers at fixed percentage discounts off the manufacturers' list prices. For product group A2, Departments will have access to 472 specific plumbing items that cover various categories

[1] The lowest bidder for A1 Line 14 was deemed non-responsive, and OCA did not award a contract for this line item. OCA intends to separately award A1 Line 14 to Underground in a future contract that will not require Board of Supervisors' approval pursuant to Admin Code Chapter 21 Section 21.6, which allows OCA to purchase the commodities or services from any source if there are no responsive offers.

essential for maintenance and infrastructure projects, including brass fittings, cast iron components, clamps, copper materials, gaskets, valves, meter boxes, steel materials, tie rods, and more.

Pricing Structure and Adjustments

The contract's pricing mechanism is designed to provide cost-savings to departments while being flexible enough to accommodate market fluctuations. Pricing for A1 is based on fixed percentage discounts (ranging from 20 percent to 60 percent) off the manufacturers' list prices for each product line. For A2, pricing consists of fixed unit prices for each of the 472 items.

To account for market changes, prices in A2 are subject to annual adjustments beginning 12 months after the bid due date of August 26, 2024. Adjustments are calculated based on changes in the U.S. Department of Labor's Producer Price Index for Plumbing Fixture Fitting and Trim Manufacturing.

Performance Metrics

The contract includes specific performance standards to ensure reliable service and product quality. Key performance metrics encompass timely reporting, accurate invoicing, responsive customer service, product quality, and adherence to delivery schedules. Failure to meet these standards may result in monetary credits to the City ranging anywhere from $10 to $100 per occurrence.

FISCAL IMPACT

The total not-to-exceed amount of $50,400,000 is based on historical and projected spending over the contract's estimated term of seven years. The calculation includes:

1. Estimated expenditures for the awarded lines in A1 over the potential seven-year term, considering prior usage and anticipated demand.
2. The total bid price for A2 items.
3. Allowances for sales tax and potential price increases due to inflation and market conditions.
4. Rounding to the nearest hundred thousand dollars.

Exhibit 2 below shows the not to exceed amount calculation by awarded line and manufacturer. The not to exceed amount of $50,400,000 provides an average of approximately $7.2 million per year in purchases over the seven year term.

Exhibit 2: NTE Calculations by Product

Product	Amount
Aggregate 1, Line 7 (Clow)	$140,000
Aggregate 1, Line 8 (EBAA)	1,400,000
Aggregate 1, Line 9 (Febca)	140,000
Aggregate 1, Line 11 (Hymax)	140,000
Aggregate 1, Line 13 (James Jones)	140,000
Aggregate 1, Line 16 (Midland)	140,000
Aggregate 1, Line 18 (Mueller)	1,400,000
Aggregate 1, Line 26 (Tyler)	1,400,000
Aggregate 1, Line 29 (Watts)	140,000
Aggregate 2 (Specific Products List)	41,330,771
Subtotal, Seven Years of Spending	46,370,771
Estimated Sales Tax (8.625%)	3,999,479
Total	**50,370,250**
Not to Exceed (rounded)	**$50,400,000**

Source: OCA

Funding for this contract will be provided through the existing operating budgets of City departments that utilize plumbing supplies, primarily the SFPUC. These expenditures are anticipated within the departments' budgets dedicated to infrastructure maintenance and improvement.

RECOMMENDATION

Approve the proposed resolution.

Item 5 File 24-0955	Department: Public Utilities Commission

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution authorizes the San Francisco Public Utilities Commission (SFPUC) to execute the first amendment to its contract with Kennedy/Jenks Consultants, Inc., and AGS, Inc., Joint Venture (KJ-AGS), for engineering staffing services related to water transmission pipeline capital projects. The amendment increases the contract amount by $10,000,000, bringing the total not-to-exceed amount to $17,000,000, with no change to the original eight-year term from September 23, 2021, through September 22, 2029, with one option to extend through September 2030.

Key Points

- SFPUC operates a Regional Water System made up of over 300 miles of water transmission pipelines, ranging from five to over 90 years old, which requires ongoing maintenance to ensure reliable water delivery to customers.
- In December 2020, SFPUC issued a Request for Proposals (RFP) for engineering services for multiple water transmission pipelines and awarded a contract to KJ-AGS, the top scoring proposer. The consultants have since provided engineering analysis support on pipelines connecting to the SFPUC Crystal Springs pump station in San Mateo County and the Bay Division transmission pipeline in Santa Clara County. The initial contract was sized to provide initial condition assessments on these pipelines.
- The proposed amendment would continue to fund engineering support for the Crystal Spring pipeline upgrades that are ready for construction. The amendment would also fund additional work for upgrading certain segments of the Bay Division pipeline as well as a needs assessment for a pipeline that runs between Redwood City and Palo Alto.

Fiscal Impact

- The amendment increases the contract amount by $10,000,000, bringing the total not-to-exceed amount to $17,000,000.
- Funding for the amendment is from the Water Enterprise's capital budget, which includes water revenue bonds and customer revenues.

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) any modification to such contracts of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

SFPUC Regional Water System

The San Francisco Public Utilities Commission (SFPUC) operates a Regional Water System that includes over 300 miles of large potable water transmission pipelines. These pipelines vary in diameter from 36 to 108 inches and range in age from five to over 90 years old. Maintaining and upgrading this infrastructure ensures reliable water delivery to SFPUC's customers.

Procurement

On December 22, 2020, the SFPUC issued a Request for Proposals (RFP) for engineering services for water transmission pipelines. Proposals were evaluated[1] on a 1,000-point scale, with the Technical Written Proposal comprising 850 points, the Community Benefits Submittal contributing 50 points, and the overhead and profit schedule (OPS) accounting for 100 points. Proposals were evaluated based on proposer qualifications (250 points), Key Member Qualifications (250 points), Reference Projects (150 points), Work Approach (150 points), Team Organization (50 points), Community Benefits Work Approach (17.5 points), Community Benefits Commitments (25 points), Project/Team Organization (5 points), Accountability and Deliverables (2.5 points), and OPS (100 points).

Exhibit 1: Proposers and Rankings from RFP

Rank	Proposer	Score (Out of 1,000)
1	Kennedy Jenks and AGS	852
2	AECOM	810
3	Brown and Caldwell	765
4	Hazen Sawyer	705

Source: SFPUC Proposal Evaluation

The SFPUC awarded contracts to Kennedy/Jenks Consultants, Inc., and AGS, Inc., Joint Venture (KJ-AGS) and AECOM, the top two scoring proposals. On July 27, 2021, by Resolution No. 21-01117, the SFPUC approved a contract with Kennedy/Jenks Consultants, Inc., and AGS, Inc. The

[1] The evaluation panel included an Associate Civil Engineer from East Bay Municipal Utility District, an Engineer from SFPUC, a Senior Engineer from Santa Clara Valley Water District, and a Mechanical Section Manager from SFPUC.

original agreement had an initial term of eight years with one one-year option to extend for a total of nine years and a not to exceed amount of $7,000,000.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes the SFPUC to execute the first amendment to its contract with Kennedy/Jenks Consultants, Inc., and AGS, Inc., Joint Venture. This amendment increases the contract amount by $10,000,000, bringing the total not-to-exceed amount to $17,000,000, with no changes to the original eight-year term from September 23, 2021, through September 22, 2029. An option to extend the contract by one additional year remains, providing for a total term of nine years. The purpose of the contract is to provide the SFPUC engineering staffing for water transmission pipeline capital projects.

California Environmental Quality Act (CEQA)

Amendment of this professional services contract does not constitute a "project" under the California Environmental Quality Act Guidelines Section 15378 because the work will consist solely of engineering services and does not involve a commitment to any specific project that may result in a direct or indirect physical change in the environment.

Projects

Since the contract was awarded in 2021, the Kennedy/Jenks consultants have provided engineering analysis to support design and planning on upgrades to water transmission pipeline connecting to the SFPUC Crystal Springs pump station in San Mateo County and the Bay Division transmission pipeline in Santa Clara County (a partial SFPUC system map is included as an attachment to this report). The initial contract was sized to provide initial condition assessments on these pipelines.

The proposed amendment would continue to fund engineering support for the Crystal Spring pipeline upgrades that are ready for construction. The amendment would also fund additional planning and design work for upgrading certain segments of the Bay Division pipeline as well as a needs assessment for a pipeline that runs between Redwood City and Palo Alto. The projects are summarized below.

1. Crystal Springs Pipeline No. 2, Segments 2 & 3 is replacing and relocating parts of an 80-year-old pipeline that transports drinking water to San Francisco from the Crystal Springs Pump Station and improving access points to make maintenance easier. The project will start in October 2026 with a projected end date of June 2029.
2. Crystal Springs Pipeline No. 2, Segment 5 is replacing the interior lining of a long section of the pipeline from Millbrae to the Baden Pump Station, adding new valves and access points to improve water quality and make maintenance easier. The project started in February 2019 and is expected to be completed by November 2027.
3. Bay Division Pipeline Crossing Upgrade at Milpitas is reinforcing two major pipelines where they cross at Hammond Way in Milpitas under new railroad tracks in order to

protect them from the additional load caused by train traffic. The project will start in July 2024 and finish by June 2029.

4. Bay Division Pipeline Repair is addressing leaks and potential breaks in sections of a large pipeline in Redwood City. The project began in May 2020 and is now expected to be completed by December 2029.
5. Palo Alto Pipeline Replacement is replacing an aging, leak-prone pipeline that starts at Redwood City Valve Lot and ends at California Avenue in Palo Alto. This pipeline has no backup service to reduce disruptions in water delivery for customers. The project is set to start in July 2024 and finish by June 2034.

Local Business Enterprise (LBE) Participation

The Contract Monitoring Division established a sub-consultant goal of 15% Local Business Enterprise (LBE) participation for this contract. Kennedy/Jenks Consultants, Inc., and AGS, Inc., Joint Venture remain committed to achieving this 15% LBE participation rate. The LBE subcontractors (and project tasks) are Cadnet (Computer Aided Drafting), Joe Hill Consulting Engineers (Civil and Pipeline Engineering), Meridian Surveying Engineering Inc. (Topographic Surveying and Mapping), MicroEstimating Inc. (Construction Cost Estimating), OLMM Consulting Engineers (Structural Engineering), and SCA Environmental, Inc. (Hazardous Materials).

Social Impact Partnership (SIP) Commitments

The contractor is required to contribute a minimum of $70,000 to the San Francisco Western Addition community over the term of the contract. This is divided into $50,800 in direct financial contributions and $19,200 in volunteer hours. KJ-AGS has contributed $8,078 ($6,540 in financial and $1,538 in volunteer hours) as of November 5th, 2024.

Performance Evaluation

A performance evaluation of the consultant was conducted on August 12th, 2024, resulting in ratings of "Excellent" in five out of seven categories and "Good" in the remaining two categories. No ratings of “Fair” or “Unsatisfactory” were provided. The consultant received "Excellent" ratings in Quality of Service, Schedule Management, Scope Management, Staff and Resources, and Value of Services. They received "Good" ratings in Administrative Management and Cost Management. The deductions in these two categories were due to slow communication responses and cost management concerns. According to SFPUC staff, these issues have been addressed.

FISCAL IMPACT

The proposed amendment increases the contract amount by $10,000,000, resulting in a total not-to-exceed amount of $17,000,000, with no change to the contract term. Funds for the proposed amendment are available from individual projects within the Water Enterprise Capital Improvement Program and the Hetch Hetchy Capital Improvement Program.

Exhibit 2: Contract Budget

Project Name	Current Contract	Proposed Amendment	Total
Crystal Springs Pipeline No. 2, Segments 2 & 3	$2,507,226	$2,450,000	$4,957,226
Crystal Springs Pipeline No. 2, Segment 5	2,240,907	800,000	3,040,907
Regional Concrete Pipe Assessment	2,184,556	-	2,184,556
Bay Division Pipeline Crossing Upgrade at Milpitas	-	3,200,000	3,200,000
Bay Division Pipeline Repair, Phase 1	-	2,350,000	2,350,000
Palo Alto Pipeline Replacement	-	1,200,000	1,200,000
Contingency Funds	67,311	-	67,311
Total	**$7,000,000**	**$10,000,000**	**$17,000,000**

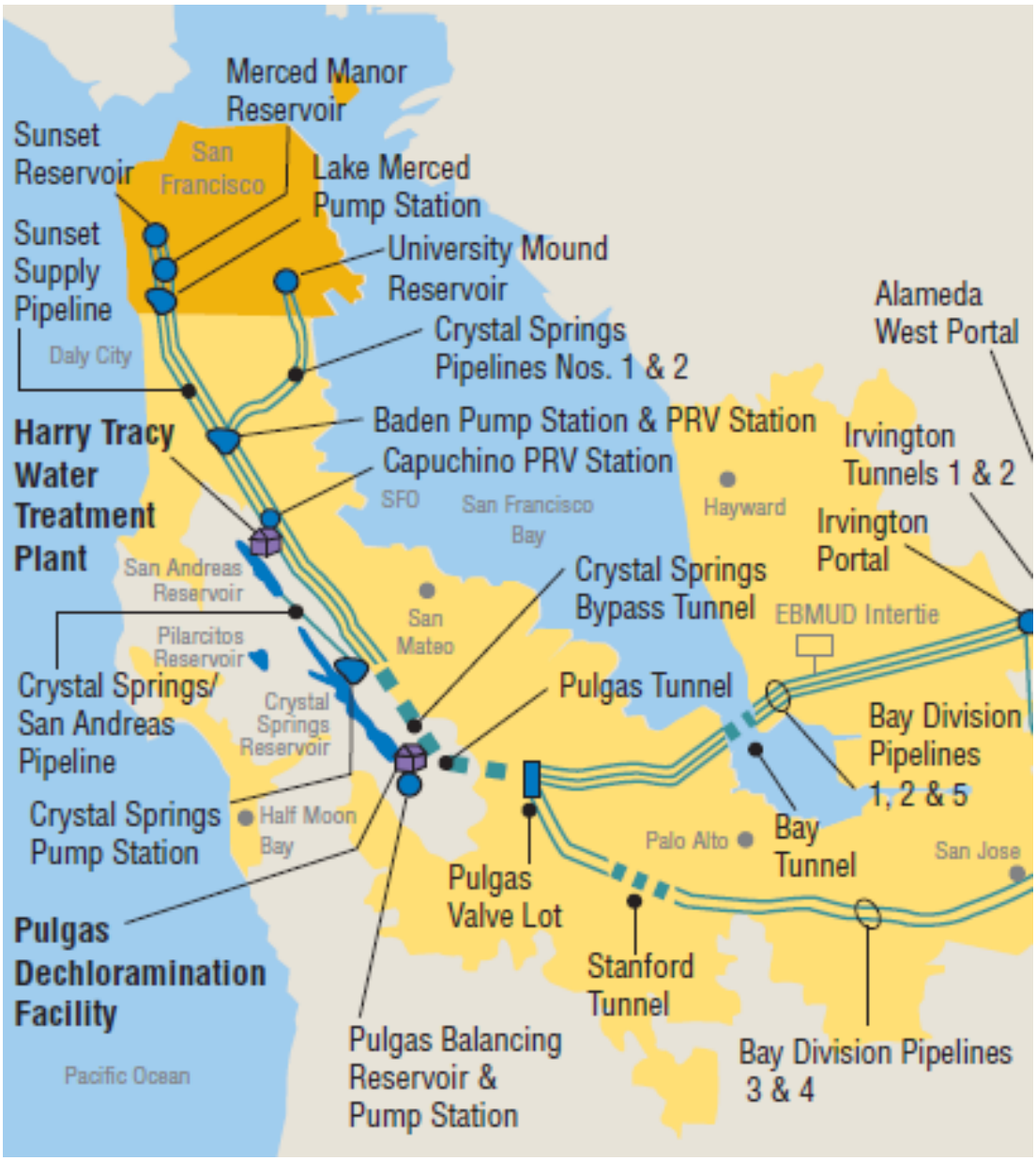
Source: SFPUC

The proposed amendment is funded by the Water Enterprise's capital budget, which includes water revenue bonds and customer revenues.

RECOMMENDATION

Approve the proposed resolution.

Attachment 1: SFPUC Water System Map (partial)



Source: SFPUC

Item 6 File 24-1012	Department: Public Utilities Commission

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution authorizes the General Manager of the San Francisco Public Utilities Commission (SFPUC) to execute a Purchase and Sale Agreement and Easement Deeds with Kaiser Foundation Hospitals. This purchase involves both permanent and temporary easements at 1200 El Camino Real, South San Francisco, necessary for installing and maintaining a groundwater pump system and associated electrical infrastructure.

Key Points

- SFPUC's Regional Groundwater Storage and Recovery Project aims to enhance water supply reliability during dry years by managing the South Westside Groundwater Basin in collaboration with local partner agencies, including Daly City, San Bruno, and the California Water Service Company. The project involves constructing groundwater wells and pump systems to withdraw groundwater during dry periods. The SFPUC would provide additional surface water during normal and wet years to local partner agencies to reduce groundwater pumping and allow for the South Westside Groundwater Basin to recharge.
- In February 2024, SFPUC awarded a contract to JMB Construction, Inc. to install a groundwater pump system and pipelines that will transport groundwater from the planned "South San Francisco Main Well" to the California Water Service Company groundwater treatment plant. As part of the project, an underground water pipeline and electrical facilities will be installed on property owned by Kaiser Foundation Hospitals at 1200 El Camino Real, South San Francisco.
- Under the proposed permanent easement deed, SFPUC is granted a shared right to access, construct, maintain, and operate telecommunications lines and water pipelines within the easement areas, along with necessary facilities and rights of entry. PG&E will execute a permanent easement deed to access, construct, maintain, and operate the electrical facilities. The two proposed temporary construction easements will expire 18 months after commencement, with an option for SFPUC to extend on a month-to-month basis for up to six additional months.

Fiscal Impact

- The total cost for acquiring the easements is $281,100, including the negotiated purchase price ($266,100), cost of appraisal ($5,000), and other closing costs ($10,000).
- Funding will come from SFPUC's capital budget allocated for the Regional Groundwater Storage and Recovery Project within the Water System Improvement Program.

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) any modification to such contracts of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

Regional Groundwater Storage and Recovery Project

The San Francisco Public Utilities Commission (SFPUC) is responsible for providing water, power, and sewer services to San Francisco and surrounding areas. To ensure a reliable water supply, SFPUC approved the Water System Improvement Program (WSIP) in 2008. A key component of the WSIP is the Regional Groundwater Storage and Recovery Project, which aims to enhance water supply reliability during dry years by managing the South Westside Groundwater Basin in collaboration with local partner agencies, including Daly City, San Bruno, and the California Water Service Company (Cal Water).

The project involves constructing groundwater wells and pump systems to withdraw groundwater during dry periods. This initiative is designed to provide an additional average annual supply of 7.2 million gallons per day during dry years for both wholesale and retail customers of SFPUC. The SFPUC would provide additional surface water during normal and wet years to local partner agencies to reduce groundwater pumping and allow for the South Westside Groundwater Basin to recharge.

Easements on Kaiser Foundation Hospital Property

On February 27, 2024, SFPUC awarded a contract to JMB Construction, Inc. to install a groundwater pump system and pipelines that will transport groundwater from the planned "South San Francisco Main Well" at 951 Antoinette Lane, South San Francisco, to the California Water Service Company groundwater treatment plant at 80 Chestnut Avenue in South San Francisco, California. To facilitate operation of the pump system, the project will install electrical infrastructure, including a conduit, a vault, and other related facilities, which will be owned and operated by Pacific Gas and Electric Company (PG&E). An underground water pipeline and the electrical facilities will be installed on property at 1200 El Camino Real, South San Francisco, owned by Kaiser Foundation Hospitals (Kaiser).

To facilitate the project, on August 13, 2024, SFPUC authorized the General Manager to execute a Purchase and Sale Agreement and Easement Deeds with Kaiser Foundation Hospitals for the acquisition of conditional land use rights, or easements. These rights provide SFPUC with the ability to access, construct, maintain, and operate the necessary infrastructure on Kaiser's property.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the terms and conditions and authorize the General Manager of SFPUC to execute a Purchase and Sale Agreement and Easement Deeds with Kaiser Foundation Hospitals for the acquisition of both permanent and temporary easements within the property located at 1200 El Camino Real, South San Francisco for $266,100. The easements are necessary for the installation and maintenance of the groundwater pump system and associated electrical infrastructure.

The easements include:

- Permanent Easements
  - A 441-square-foot area for the installation and maintenance of an underground water pipeline with its associated equipment.
  - A 1,273-square-foot area designated for the installation and maintenance of electrical facilities—including a conduit, vault, and related infrastructure—to be owned and operated by PG&E.
- Temporary Construction Easements
  - An 824-square-foot area for activities related to installing the water pipeline and electrical facilities.
  - A 1,886-square-foot area to support additional construction requirements.

<u>Easement Deeds</u>

Under the proposed permanent easement deed, SFPUC is granted a shared right to access, construct, maintain, and operate telecommunications lines and water pipelines within the easement areas, along with necessary facilities and rights of entry. Before performing any work in the easement areas, Kaiser must provide plans for the SFPUC's review and approval, contact utility services, and ensure no damage to existing facilities. Both parties must give 30 days' written notice before any excavation, except in emergencies. California Water Service retains underground water rights without surface entry. SFPUC may also abandon all or part of the easement by recording a quitclaim deed, relinquishing its rights. PG&E will execute an easement deed to access, construct, maintain, and operate the electrical facilities.

The two temporary construction easements will expire 18 months after commencement, with an option for SFPUC to extend on a month-to-month basis for up to six additional months. To extend the term further, SFPUC must pay Kaiser an additional amount at the same rate paid for the initial term.

<u>Purchase and Sale Agreement</u>

Under the proposed purchase and sale agreement, the total purchase price for the easements is $266,100. The City will play all escrow and recording fees and will pay an additional $5,000 to Kaiser to reimburse for the appraisal.

An appraisal report by Associated Right of Way Services, Inc. for the SFPUC determined that the fair market value of the easements was $160,000 as of January 30, 2024. Because the appraised value was less than $200,000, an appraisal review was not required. According to SFPUC staff, the purchase price of $266,100 was determined through a negotiation process after Kaiser obtained their own appraisal. The SFPUC General Manager approved an administrative settlement at $266,100 to acquire the easements.

Project Timeline

The Notice to Proceed (NTP) for the project was issued in June 2024 and permitting and submittals are currently being approved. Construction is scheduled to begin in November 2024 and to be substantially complete in February 2026.

FISCAL IMPACT

The purchase price to be paid to Kaiser Foundation Hospitals for the easements is $266,100. Including closing costs of up to $15,000 (including $5,000 for the appraisal), the total cost of the easements is $281,100. The funds will be drawn from SFPUC's capital budget for the Regional Groundwater Storage and Recovery Project within the Water System Improvement Program.

RECOMMENDATION

Approve the proposed resolution.

Item 9 File 24-1018	Department: Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve Amendment No. 2 to the vocational rehabilitation employment and training programs contract between the Department of Public Health (DPH) and Richmond Area Multi Services, Inc. (RAMS), extending the term by three years and six months through June 30, 2028, and increasing the not-to-exceed amount of the contract by $22,039,855, for a total not to exceed $38,083,630.

Key Points

- In 2020, DPH issued a Request for Qualifications (RFQ) to select providers for vocational rehabilitation employment and training programs for people recovering from mental health and substance abuse issues. Based on the RFQ, DPH executed a contract with RAMS for a term of one year and eight months and an amount not to exceed $9,568,795. In December 2023, the Board of Supervisors approved Amendment No. 1 to the contract, extending the term by one year through December 2024 and increasing the not-to-exceed amount by $6,474,690, for a total not to exceed $16,043,775.
- Under the contract, RAMS provides the following services: (1) Hire-Ability Janitorial Services; (2) Hire-Ability Clerical & Mailroom Services; (3) Information Technology; (4) TAY Vocational Services; and (5) Employee Development. Between the five programs, DPH estimates that RAMS trained approximately 191 unduplicated clients (interns/trainees) in FY 2023-24. The contract funds approximately 64.52 full-time equivalent (FTE) positions, of which approximately 49.88 are client positions (within the programs noted above), with the remaining 14.64 positions operating the program. FY 2023-24 performance monitoring found that RAMS generally met or exceeded its contracted performance objectives and units of service in all five programs.

Fiscal Impact

- The proposed Amendment No. 2 would increase the not-to-exceed amount of the RAMS contract by $22,039,855, for a total not to exceed $38,083,630. The total not-to-exceed amount of the contract is funded approximately 58 percent by state funds and approximately 42 percent by the City's 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

In December 2020, the Department of Public Health (DPH) issued a Request for Qualifications (RFQ) to select providers for vocational rehabilitation employment and training programs for people recovering from mental health and substance abuse issues. The RFQ included seven program categories, and Richmond Area Multi Services, Inc. (RAMS) was the only respondent in four categories (Employment Development, Clerical and Mailroom Services, Janitorial Services, and Information Technology Services) and the highest scoring respondent in a fifth category (Transitional Aged Youth (TAY) Vocational Services) and was awarded a contract. In May 2022, DPH executed a contract with RAMS for a term of one year and eight months, from May 2022 through December 2023, and an amount not to exceed $9,568,795. In December 2023, the Board of Supervisors approved Amendment No. 1 to the contract, extending the term by one year through December 2024, and increasing the not-to-exceed amount by $6,474,980, for a total not to exceed $16,043,775 (File 23-1150).[1]

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 2 to the vocational rehabilitation and training programs contract between DPH and RAMS, extending the term by three years and six months through June 2028, increasing the not-to-exceed amount by $22,039,855, for a total not to exceed $38,083,630, and authorizing DPH to make further immaterial amendments to the contract.

Under the contract, RAMS provides the following services:

1. Hire-Ability Janitorial Services: Provides paid supported employment and internship opportunities within the janitorial field. The janitorial services provide full janitorial services to DPH's participating Behavioral Health Services (BHS) clinics and programs.
2. Hire-Ability Clerical & Mailroom Services: Provides paid supported employment and internship opportunities in support of BHS administrative operations, including in the areas of business operations support, such as clerical, mailroom, front-desk reception,

[1] DPH had initially requested to extend the term by four years and six months through June 2028 and increase the not-to-exceed amount by $31,268,440, for a total not to exceed $40,837,235. Due to the TAY and Employee Development programs delivering less than 40 percent of contracted units of service (days clients spend in the program), the Budget and Legislative Analyst recommended to only extend the contract for one year and provide an update on performance when seeking a subsequent extension of the contract. The Board of Supervisors approved a revised version of Amendment No. 1, extending the term by one year and increasing the amount by $6,474,980.

messenger, and driving positions to deliver mail, all within the behavioral health system of care, and primarily in the BHS Central Administration facility.

3. Information Technology: Provides five specific training cohorts in information technology support services areas operated by BHS and DPH, as well as supported employment in information technology support positions, within the behavioral health system of care.
4. TAY Vocational Services: Provides vocational/occupational assessment and paid internships and/or entry-level work positions to transitional aged youth (ages 15-25).
5. Employee Development: Provides vocational assessments, job skills training, paid on-site work experience, unpaid classroom and group training sessions, vocational counseling and job coaching, and classes and workshops to improve employment readiness.

Between the five programs, DPH estimates that RAMS trained approximately 191 unduplicated clients (interns/trainees) in FY 2023-24. The contract funds approximately 64.52 full-time equivalent (FTE) positions, of which approximately 49.88 are client positions (within the programs noted above), with the remaining 14.64 positions operating the program.

Performance and Fiscal Monitoring

FY 2023-24 performance monitoring found that RAMS generally met or exceeded its contracted performance objectives and units of service in all five programs. This is an improvement from FY 2022-23, when invoiced data showed that the TAY program only met 22 percent of contracted services and the Employee Development program met 40 percent of contracted services. No corrective actions were identified.

DPH reviewed RAMS' financial documents as part of the FY 2023-24 Citywide Fiscal and Compliance Monitoring program and identified no findings.

FISCAL IMPACT

The proposed Amendment No. 2 would increase the not-to-exceed amount of the RAMS contract by $22,039,855, for a total not to exceed $38,083,630. Actual contract expenditures through FY 2023-24 total $9,991,537, although there is a pending cost report settlement from FY 2023-24 that may increase this amount by approximately $1.1 million. The actual and projected contract expenditures are shown in Exhibit 1 below.

Exhibit 1: Actual and Projected Contract Expenditures

Expenditures	Amount
Actual Expenditures (through FY 2023-24)	$9,991,537
FY 2023-24 (Projected)	1,127,185
FY 2024-25 (Projected)	5,754,770
FY 2025-26 (Projected)	5,927,413
FY 2026-27 (Projected)	6,105,235
FY 2027-28 (Projected)	6,288,393
Subtotal, Projected Expenditures	*$25,202,996*
Contingency (12% of FY 2024-25 – FY 2027-28 Projected Expenditures)	2,889,097
Total Not-to-Exceed	**$38,083,630**

Source: Proposed contract amendment, DPH.

The total not-to-exceed amount of $38,083,630 is $2,753,605, or 6.7 percent, less than the proposed not to exceed amount of $40,837,235 that DPH had requested for the contract over the same term in Amendment No. 1 (File 23-1150).

The contract includes a 12 percent contingency to account for escalation, new programs, and/or expansions of existing programs. The not-to-exceed amount also includes a three percent annual cost of doing business payment.

The total not-to-exceed amount of the contract is funded approximately 58 percent by state funds and approximately 42 percent by the City's General Fund.

RECOMMENDATION

Approve the proposed resolution.

Item 10 File 24-1036	Department: Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the second amendment to the mental health and substance abuse treatment services contract between the Department of Public Health (DPH) and the San Francisco AIDS Foundation, extending the term by three years and six months for a total term of July 1, 2018 through June 30, 2028, increasing the not-to-exceed amount by $9,965,200, for a total not to exceed $19,635,695, and authorizing DPH to make further immaterial amendments to the contract.

Key Points

- DPH selected the San Francisco AIDS Foundation to provide mental health and substance abuse treatment services as a result of two competitive solicitations conducted in September 2016 and August 2017, in which the vendor scored the highest on both solicitations. In July 2018, DPH awarded a new contract to the San Francisco AIDS Foundation for a term of July 1, 2018 through June 30, 2022 and an amount not to exceed $4,307,834. In June 2022, DPH approved the first amendment to the contract, extending the term to December 31, 2024 and increasing the amount by $5,362,661 for a total not-to-exceed $9,670,495.
- Under the contract, the San Francisco AIDS Foundation will continue to provide the following substance abuse treatment and mental health services: (1) Stonewall Project – Substance Abuse Disorder Services, (2) Stonewall Project – Mental Health Services, (3) Stonewall Project – Positive Reinforcement Opportunity Project (PROP), and (4) Positive Reinforcement Opportunity Project (PROP) 4 ALL. The substance abuse and mental health programs provide individual and group therapy and the PROP programs are contingency management programs. The programs generally met their contracted service delivery goals in FY 2022-23 and FY 2023-24.

Fiscal Impact

- The proposed second amendment would increase the not-to-exceed amount of the San Francisco AIDS Foundation contract by $9,965,200, for a total not to exceed $19,635,695. The total not-to-exceed amount of the contract is funded approximately 44 percent by the City's General Fund, 40 percent by the City's Proposition C Homeless Services Fund, 11 percent by federal funds, and 5 percent by state funds.
- The FY 2024-25 budget for the contract is approximately $2.4 million, which funds a total of 16.3 full-time equivalent (FTE) staff at the AIDS Foundation.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

The Department of Public Health (DPH) selected the San Francisco AIDS Foundation to provide mental health and substance abuse treatment services as a result of two competitive solicitations conducted in September 2016 and August 2017. As shown in Exhibit 1 below, the San Francisco AIDS Foundation scored the highest on both competitive solicitations.[1] For the Request for Proposal (RFP) on substance use disorder (SUD) treatment services, proposals were evaluated based on SUD treatment program/case management service and recovery track housing program qualifications, budget, and financial management capacity and fiscal integrity. For the RFP on mental health outpatient programs, proposals were evaluated based on a description of mental health outpatient program programming, program qualifications, performance management, budget, financial management capacity and fiscal integrity, and prior performance. According to the Request for Proposals (RFP) for both solicitations, the maximum term for awarded contracts may not exceed ten years.

[1] The selection panel for RFP 26-2016 for Substance Use Disorder Treatment Services: Outpatient, Intensive Outpatient, Case Management consisted of a Drug Medi-Cal Manager at DPH, Program Manager at GLIDE, a community leader, the Health Policy Senior Advisor at the Mayor's Office, and a Program Coordinator at Conard House. The selection panel for RFP 8-2017 Mental Health Outpatient Programs for Adult/Older Adult System of Care consisted of an Assistant Director at DPH, a Manager at Alameda County, a Director at the Boys & Girls Clubs of San Francisco, a Supervisor at the Occupational Therapy Training Program, and a Mental Health Board member.

Exhibit 1: Competitive Solicitation Summary

Proposer	Score (Total out of 100)
RFP 26-2016 Substance Use Disorder (SUD) Treatment Services: Outpatient, Intensive Outpatient, Case Management	
San Francisco AIDS Foundation	98.46
St. James Infirmary	96.69
UCSF Alliance Health Project	95.00
UCSF Citywide Case Management	93.96
Fort Help, Mission	93.88
Latino Commission	93.38
HealthRight 360	92.77
Horizons Unlimited of SF	92.50
Asian & Pacific Islander Wellness Center	90.81
Mission Council	89.62
Fort Help, LLC	89.23
Epiphany Center	88.52
Curry Senior Center	87.08
RFP 8-2017 Mental Health Outpatient Programs for Adult/Older Adult System of Care (Regular)	
San Francisco AIDS Foundation	95.57
RAMS	95.36
UCSF Alliance Health Project	92.95
Instituto Familiar de la Raza	92.73
Swords to Plowshares	92.39
Hyde Street Community Services	90.45
Episcopal Community Services of San Francisco	88.09
St. James Infirmary	86.70
Bayview Hunters Point Foundation	85.27
Jewish Family and Children's Services	84.27
Community Awareness & Treatment Services, Inc.	83.09
HealthRIGHT 360	79.55
Westside Community Services, Inc.	73.98
BAART Community Healthcare	70.00

Source: DPH

AIDS Foundation Contract

In July 2018, DPH awarded a new contract to the San Francisco AIDS Foundation to provide mental health and substance abuse treatment services for the period of July 1, 2018 through June 30, 2022 for a total contract amount not to exceed $4,307,834. In June 2022, DPH approved the first amendment to the contract, extending the term by two years and six months to December 31, 2024 and increasing the amount by $5,362,661 for a total not-to-exceed $9,670,495. Because the contract was less than $10 million and less than 10 years, the contract and first amendment did not require Board of Supervisors' approval.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the second amendment to the mental health and substance abuse treatment services contract between DPH and the San Francisco AIDS Foundation, extending the term by three years and six months for a total term of July 1, 2018 through June 30, 2028, increasing the not-to-exceed amount by $9,965,200, for a total not to exceed $19,635,695, and authorizing DPH to make further immaterial amendments to the contract.

Under the contract, the San Francisco AIDS Foundation will continue to provide the following substance abuse treatment and mental health services:

Stonewall Project – Substance Abuse Disorder Services

The Stonewall Project – Substance Abuse Disorder Services program aims to reduce harm caused by methamphetamine and other substance use among men who identify as gay or bisexual, transgender and nonbinary individuals. Services include harm reduction education and outreach, case management, group and individual counseling, and other support services. Most participants are of low or fixed income and are uninsured or underinsured. Most of the target population are dually and triply diagnosed with concomitant mental and physical health problems (primarily HIV and hepatitis C) in addition to their difficulties with addictive behaviors.

Stonewall Project – Mental Health Services

The Mental Health program provides individual counseling, group therapy, and intensive case management to improve mental health and reduce methamphetamine and other substance abuse. The target population is gay, bi, and transgender men as well as non-binary people.

Stonewall Project - Positive Reinforcement Opportunity Project (PROP)

PROP is a contingency management program that focuses on gay, bi, transgender men and non-binary people in which participants receive gift cards for urine tests that show no meth use.

Positive Reinforcement Opportunity Project (PROP) 4 ALL

PROP4ALL focuses on marginalized groups, homeless, BIPOC, and those at high risk for HIV, Hepatitis C, and drug overdose. The program includes contingency management for stimulant use and an SUD treatment support program. The contingency management program provides gift cards for nonreactive urine tests to help clients achieve abstinence from methamphetamine. The program provides linkage to other treatment services.

Performance Monitoring

DPH states that FY 2023-24 full performance monitoring reports for these programs will be available later this fiscal year. However, DPH consulted their billing records to determine the extent to which the programs met the contracted units of service (such as therapy hours). According to DPH, the Stonewall Project SUD, Stonewall PROP, and Stonewall MH exceeded their budgeted units of service in FY 2023-24. Stonewall PROP 4 ALL achieved 85% of their budgeted

units of service. We also reviewed the Department's FY 2022-23 performance monitoring reports and summarize them below.

FY 2022-23 performance monitoring found the following for each of the four programs:

1. Stonewall Project – Substance Abuse Disorder Services: Overall, the program received a "commendable/exceeds standards" rating, the highest score possible in DPH program monitoring. Specifically, the program met its contracted performance objectives (such as the number of clients completing the program or requiring additional treatment after the program) and delivered 80 percent of its units of service (the number of therapy hours delivered). The program was required to submit a plan of action to better document required staff training and other compliance requirements. The San Francisco AIDS Foundation submitted the plan of action in August 2024.
2. Stonewall Project – Mental Health Services: Overall, the program received an "acceptable/meets standards" rating. Specifically, the program met its contracted performance objectives standards; however, it did not meet its contracted units of service[2] due to challenges placing participants in the program because of specific admission criteria.[3] The program was required to submit a plan of action for establishing a mechanism for storing evidence and tracking of all DPH-required trainings. The San Francisco AIDS Foundation submitted the plan of action in August 2024.
3. Stonewall Project – PROP: Overall, the program received a "commendable/exceeds standards" rating. Specifically, the program met its contracted performance objectives standards and exceeded its units of service. No corrective plan of action was identified.
4. PROP 4 ALL**:** Overall, the program received an "improvement needed/below standards" rating for FY 2022-23. Specifically, the program did not meet its contracted units of service[4] and was exempt from reporting contracted performance objectives. According to the performance monitoring report, a fire in the hotel above the program site, as well as street closure for construction, lead to a six-month closure of the program and loss of program data. The program moved services to its 1035 Market Street location; however, DPH stated that follow-up of participants, as well as reporting on performance objectives, was challenging for the program due to the loss of data.

   However, program performance improved the following fiscal year. The June 2024 invoice for the program shows that the program met its contracted units of service and exceeded its unduplicated client count in FY 2023-24. The program was required to submit a plan of action for (1) obtaining a valid fire clearance, and (2) establishing a mechanism for

[2] The program met 62% of the contracted units of service, and 58% of the unduplicated client count.

[3] According to DPH, the program is designed to serve seriously mentally ill individuals that qualify for Medi-Cal reimbursement. Participants primarily need to meet specific Medi-Cal reimbursement criteria in order to qualify for this program. DPH states that the program met its contracted units of service in FY 2023-24.

[4] The program met 43.2% of the contracted units of service.

storing evidence and tracking of all DPH-required trainings. The San Francisco AIDS Foundation submitted the plan of action in August 2024.

Fiscal and Compliance Monitoring

DPH conducted fiscal and compliance monitoring for these four programs in July 2024, and no findings were identified.

FISCAL IMPACT

The proposed second amendment would increase the not-to-exceed amount of the San Francisco AIDS Foundation contract by $9,965,200, for a total not to exceed $19,635,695. Actual contract expenditures through FY 2023-24 total $8,509,084. The actual and projected contract expenditures are shown in Exhibit 2 below.

Exhibit 2: Actual and Projected Contract Expenditures

Expenditures	Amount
Actual Expenditures (through FY 2023-24)[5]	$8,509,084
FY 2024-25 (Projected)	2,374,608
FY 2025-26 (Projected)	2,445,846
FY 2026-27 (Projected)	2,519,222
FY 2027-28 (Projected)	2,594,798
Subtotal, Projected Expenditures	*$9,934,474*
Contingency (12% of FY 2024-25 – FY 2027-28 Projected Expenditures)	1,192,137
Total Not-to-Exceed	**$19,635,695**

Source: DPH

The contract includes a 12 percent contingency to account for escalation, new programs, and/or expansions of existing programs. The not-to-exceed amount also includes a 2.5 percent cost of doing business increase from FY 2023-24 to FY 2024-25 and three percent annual increases from FY 2025-26 through FY 2027-28.

As shown in Exhibit 3 below, the FY 2024-25 budget is approximately $2.4 million, which funds a total of 16.3 full-time equivalent (FTE) staff, with 8.2 FTE for the PROP 4 ALL program, 6.1 FTE for the Substance Abuse Disorder Services program, 1.3 FTE for the PROP program, and 0.8 FTE for the Mental Health Services program.

[5] According to DPH, the FY 21-22 and FY22-23 SUD Cost Report settlement, as well as the FY23-24 MH and SUD Cost Report settlement are not yet completed. Of the total FY 18-19 budget of $961,570, $371,372 of FY 18-19 expenditures were paid as part of an interim contract for the period of January 1, 2018 to December 31, 2018 to prevent a gap in services due to the expiration of the previously existing contract. In addition, DPH states that the contract was underspent by $286,158 in FY 21-22 due to challenges facing service providers during the pandemic.

Exhibit 3: FY 2024-25 Budget

	Stonewall Project – SUD	Stonewall Project – PROP	Stonewall Project - MH	Stonewall Project – PROP4ALL	Total
Salary	$532,129	$125,167	$69,515	$620,971	$1,347,781
Fringe Benefits	143,675	33,795	18,769	167,662	$363,901
Operating Expenses[6]	104,100	65,633	15,109	168,350	$353,192
Indirect Costs (15%)	116,988	33,688	15,510	143,548	$309,734
Total	**$896,892**	**$258,283**	**$118,903**	**$1,100,531**	**$2,374,608**

Source: DPH

Source of Funding

The total not-to-exceed amount of the contract is funded approximately 44 percent by the City's General Fund, 40 percent by the City's Proposition C Homeless Services Fund, 11 percent by federal funds, and 5 percent by state funds.

RECOMMENDATION

Approve the proposed resolution.

[6] This includes expenses such as rent, office supplies/postage, program supplies, equipment lease/maintenance, insurance, and utilities.

Items 11-17 Files 24-0981, 24-0980, 24-0995, 24-0996, 24-0997, 24-0998, 24-0999	Department: Office of Public Finance, Public Works, Police, Fire, Mayor's Office of Housing & Community Development, Port, Public Utilities Commission

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolutions authorize the sale of general obligation bonds, including: (a) $124 million for 2018 Embarcadero Seawall Bond projects, (b) $225 million for 2020 Earthquake Safety and Emergency Response Bond projects, (c) $70 million for 2019 Affordable Housing Bond projects, and (d) $152 million of 2024 Affordable Housing Bond projects. Together, these bond sales total $571 million.
- The proposed ordinances (a) appropriate $571 million in bond proceeds for projects and transaction costs and (b) re-appropriates $6.8 million in accrued interest from other bond proceeds to provide funding for the SFPUC's work on the Emergency Firefighting Water System expansion project.

Key Points

- The Port intends to use bond proceeds to fund design work on five projects to improve the Embarcadero seawall and other earthquake safety projects along the Port-managed waterfront.
- The Department of Public Works is using bond proceeds to construct a new fire training facility in the Bayview, replace Ingleside Police Station, construct a temporary "surge" facility for Ingleside Police Station staff during construction, and together with the SFPUC, expand the City's Emergency Firefighting Water System.
- MOHCD plans to use bond funding to provide long-term financing for low-income housing projects. A portion of the funding is designed for seniors, educators, survivors of violence, and for housing preservation projects.

Fiscal Impact

- The Office of Public Finance estimates that the proposed bond sales would result in an average annual debt service cost of approximately $45,420,000. Over the anticipated 20-year life of the bonds, the total debt service is estimated at $885,264,000.
- Bonds are repaid by special property taxes. The proposed transactions comply with the City's debt limit policy and property tax rate policy, which limits property taxes for debt to no more than $0.1201 per $100 of assessed value.

Recommendations

- Approve the proposed resolutions and ordinances.

MANDATE STATEMENT

City Charter Section 9.106 states that the Board of Supervisors approves the issuance of general obligation bonds. Section 9.106 also limits outstanding general obligation bond indebtedness to three percent of the assessed value of all taxable real and personal property located within the City.

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

BACKGROUND

The proposed resolutions and ordinances pertain to four general obligation bonds approved by voters, including:

- **2018 Embarcadero Seawall Earthquake Safety:** Proposition A (November 2018) authorized $425 million to fund seawall and earthquake safety projects. The bond program developed by City staff includes (a) $416.1 million for design and construction work for seawall improvement and flood resilience projects (b) $8.9 million for a US Army Corp of Engineers flood study.
- **2020 Earthquake Safety & Emergency Response:** Proposition B (March 2020) authorized $628.5 million to fund earthquake safety and emergency response projects. The bond program developed by City staff includes (a) $153.5 million for the Emergency Firefighting Water System, (b) $275 million for Fire Department facilities, (c) $121 million for Police facilities, (d) $70 million for upgrading the Kezar Pavilion into a disaster relief facility, and (e) $9 million for upgrades to the 911 call center at 1011 Turk Street.
- **2019 Affordable Housing:** Proposition A (November 2019) authorized $600 million for affordable housing programs, including: (a) $150 million for public housing renovations, (b) $220 million for low-income housing, (c) $30 million for preserving existing affordable housing, (d) $30 million for middle-income housing, (e) $150 million for senior housing, and (f) $20 million for educator housing.
- **2024 Affordable Housing:** Proposition A (March 2024) authorized $300 million for affordable housing programs, including: (a) $240 million for low-income housing, (b) $30 million for preserving existing affordable housing, and (c) $30 million for housing that prioritizes victims/survivors of violence.

Exhibit 1 below shows the total debt authorized by voters, previously approved bond sales, the amounts of the proposed bond sales, and the remaining authorizations.

Exhibit 1: General Obligation Bond Authorizations and Issuances

Bond	Authorization	Issued	Remaining Authorization	Proposed Sales	Proposed Remaining Authorization
2018 Seawall	$425,000,000	$88,695,000	$336,305,000	$124,000,000	$212,305,000
2020 ESER	$628,500,000	$167,805,000	$460,695,000	$225,000,000	$235,695,000
2019 Affordable Housing	$600,000,000	$425,365,000	$174,635,000	$70,000,000	$104,635,000
2024 Affordable Housing	$300,000,000	$0	$300,000,000	$152,000,000	$148,000,000
Total	**$1,953,500,000**	**$681,865,000**	**$1,271,635,000**	**$571,000,000**	**$700,635,000**

Source: Office of Public Finance

DETAILS OF PROPOSED LEGISLATION

Resolutions Approving Issuance and Sale of General Obligation Bonds

File 24-0995: The proposed resolution would authorize a sale of the 2018 Embarcadero Seawall Bond with a not-to-exceed amount of $124,000,000, Series 2024A.

File 24-0996: The proposed resolution would authorize a sale of the 2020 Earthquake Safety and Emergency Response Bond with a not-to-exceed amount of $225,000,000, Series 2024B.

File 24-0997: The proposed resolution would authorize a sale of the 2019 Affordable Housing Bond with a not-to-exceed amount of $70,000,000, Series 2024C.

File 24-0998: The proposed resolution would authorize a sale of the 2024 Affordable Housing Bond with a not-to-exceed amount of $152,000,000, Series 2024D.

Each resolution also:

- Prescribes the form and terms of the bonds;
- Provides for the appointment of depositories and other agents for the bonds;
- Provides for the establishment of accounts related to the bonds;
- Provides for the manner of sale of the bonds by competitive or negotiated sale;
- Approves the forms of Official Notice of Sale and Intention to Sell Bonds;
- Directs the publication of the Notice of Intention to Sell Bonds;
- Approves the form of the Bond Purchase Contract;
- Approves the form of the Preliminary Official Statement and the form and execution of the Official Statement relating to the sale of the bonds;
- Approves the form of the Continuing Disclosure Certificate;
- Authorizes and approves modifications to documents;
- Ratifies certain actions previously taken; and
- Grants authority to City officials to take necessary actions for the authorization, issuance, sale, and delivery of the bonds.

File 24-0999: The proposed resolution would provide for the issuance of $300,000,000 of the 2024 Affordable Housing Bond. Individual bond sales are subject to separate Board of Supervisors approval.

Appropriation Ordinances

File 24-0980: The proposed ordinance appropriates the following bond proceeds and places these funds on Controller's Reserve pending receipt of bond funds.

- $124 million of proceeds from Series 2024A 2018 Embarcadero Seawall Bond to the Port for program management, design work for various seawall and flood resilience projects, and a flood study performed by the U.S. Army Corps of Engineers.
- $225 million of proceeds from Series 2024B Earthquake Safety and Emergency Response Bond proceeds to the Department of Public Works and Public Utilities Commission for the Emergency Firefighting Water System, a Fire Department training facility, and replacement of Ingleside Police Station.
- $70 million of proceeds from Series 2024C 2019 Affordable Housing Bond proceeds for the Mayor's Office of Housing and Community Development for funding low-income, middle income, educator, and senior housing projects.
- $152 million of proceeds from Series 2024D 2024 Affordable Housing Bond proceeds for the Mayor's Office of Housing and Community Development for funding low-income, preservation, and housing projects for victims of violence.

File 24-0981: The proposed ordinance appropriates $6,181,212.25 in interest earned from unspent bond proceeds from 2010 and 2014 Earthquake Safety and Emergency Response general obligation bonds to the SFPUC. Of that $641,461.49 would be placed on Controller's Reserve pending environmental approval of projects.

Both the 2010 and 2014 ESER bonds included funding for DPW and SFPUC to expand the City's Emergency Firefighting Water System. Although most of the bond proceeds for the related bond sales have been spent, interest has accrued on the fund balance over time, which totaled $10.5 million for the SFPUC portion of the program as of September 2024. The proposed appropriation would provide spending authority for $6.2 million of the $10.5 million in interest earnings for 2024 projects.

According to SFPUC staff, this funding will be used for planning and design work on 2024 Emergency Firefighting Water System projects during FY 2024-25 and FY 2025-26.

Bond Characteristics

The proposed resolutions authorize the Director of Public Finance (or Controller or their designee) to determine the sale date, interest rates, principal amount, and maturity dates of the bonds, subject to the following conditions: (1) the true interest cost shall not exceed 12 percent;

and (2) the bonds have a maximum maturity date no later than 30 years after the date of issuance.

The proposed bonds will be structured as either tax-exempt and/or taxable depending on eligibility of project expenditures for tax exemption and/or market conditions.

Finally, the Office of Public Finance intends to pursue a competitive sale of the proposed bonds. However, a negotiated sale may be pursued if the bond structure or market conditions make a negotiated sale preferable. For that reason, the proposed resolutions include form bond purchase contracts.

Proposed Uses of Bond Funds

Exhibit 2 below summarizes the proposed uses of the proposed bond proceeds. The appropriation ordinance provides spending authority for the bond proceeds and transaction costs; it is not controlled at the project level, which is shown in the table below for context.

Exhibit 2: Series 2024ABCD Bond Appropriation Proposed Uses

Series	2024A	2024B	2024C	2024D	
GO Bond	**2018 Seawall**	**2020 ESER**	**2019 Housing**	**2024 Housing**	**Totals**
Proceeds	124,000,000	225,000,000	70,000,000	152,000,000	571,000,000
Uses					
Wharf J 9 Replacement	11,200,000	-	-	-	11,200,000
Downtown Coastal Resilience	22,900,000	-	-	-	22,900,000
Pier 24.5 to 28.5 Earthquake Safety	11,200,000	-	-	-	11,200,000
Pier 9 Seawall Earthquake Safety	25,500,000	0	-	-	25,500,000
Pier 15 Earthquake Safety	7,000,000	0	-	-	7,000,000
US Army Corp Eng. Flood Study	20,000,000				20,000,000
Port Program Costs	21,467,000	0	-	-	21,467,000
Emergency Firefighting Water System	-	41,128,418	-	-	41,128,418
Fire Training Facility	-	88,255,521	-	-	88,255,521
Ingleside Police Station Renovation & Temp. Facility		87,141,794	-	-	87,141,794
Low-Income Housing: 1515 S. Van Ness	-	-	35,308,347		35,308,347
Low-Income Housing: Sunnydale	-	-	-	41,025,000	41,025,000
Low-Income Housing: Balboa Reservoir	-	-	-	45,875,000	45,875,000
Downpayment Assistance	-	-	6,450,000	-	6,450,000
Housing Preservation	-	-	-	29,750,000	29,750,000
Senior Housing: 967 Mission	-	-	5,200,000	-	5,200,000
Educator Housing: 750 Golden Gate	-	-	19,800,000	-	19,800,000
Survivor Housing	-	-	-	29,750,000	29,750,000
Subtotal, Bond Proceeds for Projects	**119,267,000**	**216,525,733**	**66,758,347**	**146,400,000**	**548,951,080**
CON Audit	238,534	433,052	133,517	292,800	1,097,903
Oversight Committee	120,470	218,705	67,435	147,875	554,485
Cost of Issuance	241,646	433,985	118,526	294,950	1,089,107
Underwriters Discount	602,350	1,093,525	337,175	739,375	2,772,425
Reserve for Market Uncertainty	3,530,000	6,295,000	2,585,000	4,125,000	16,535,000
Total Uses	**124,000,000**	**225,000,000**	**70,000,000**	**152,000,000**	**571,000,000**

Source: Appropriation Ordinance (File 24-0980), Port, Public Works, MOHCD

[a] Costs of issuance include bond counsel, auditor, regulator, and other costs.

[b] Underwriters discount is the difference in the price paid to the issuer and the prices at which the bonds are initially offered to investors.

Bond Projects

Seawall Projects

The Port intends to use bond proceeds to fund design work on five projects to improve the Embarcadero seawall and other earthquake safety projects along the Port-managed waterfront. In addition, the Port is co-funding a study with the US Army Corps of Engineers to assess the flood risk and sea level rise in San Francisco through 2140. The study, which costs $8.9 million, will

inform a request for federal funding for waterfront improvements in 2026.[1] The proposed bond sale also funds design analysis for the flood resilience plan that will be presented to federal authorities.

Earthquake Safety & Emergency Response (ESER)

The Department of Public Works is using bond proceeds to construct a new fire training facility in the Bayview, replace Ingleside Police Station, construct a temporary "surge" facility for Ingleside Police Station staff during construction, and together with the SFPUC, expand the City's Emergency Firefighting Water System.

Further detail about ESER and Port bond projects and their status is included as an attachment to this report. Non-construction contracts that exceed $10 million or ten years will be subject to Board of Supervisors approval.

Housing Projects

MOHCD plans to use bond funding to provide gap financing for the following low-income housing projects: 1515 South Van Ness, Sunnydale HOPESF, and Balboa Reservoir, as well as for the 967 Mission project for seniors and the 750 Golden Gate project for educators. The Department plans to issue a Notice of Funding availability to identify housing projects for survivors of violence. The Department reviews proposals for preservation projects on a rolling basis. Any loan agreements that exceed $10 million or ten years will be subject to Board of Supervisors approval.

Bond Accountability Report Waived

Each of the proposed bond resolutions for the proposed bonds waives the deadline for submission of the Bond Accountability reports under Admin Code Section 2.71(a) and 2.71(b), which states that such reports should be submitted to the Board of Supervisors 60 days prior to the approval of the relevant bond appropriation and/or sale. Bond Accountability Reports include details on the spending of previously approved bond sales and details on the projects proposed to be funded with new bond sales.

As of this writing, all three departments, the Mayor's Office of Housing and Community Development, Port, Public Works, have or plan to submit drafts of their bond accountability reports to the Office of Public Finance prior to the November 13, 2024 Budget & Finance Committee meeting.

FISCAL IMPACT

Annual Debt Service

Based on an estimated interest rate of 5.15 percent, the Office of Public Finance estimates that this would result in an average annual debt service cost of approximately $45,420,000. Over the anticipated 20-year life of the bonds, the total debt service is estimated at $885,264,000. The

[1] The total estimated cost of protecting the Port-managed waterfront from sea level rise is $13.5 billion in today's dollars. If federal funding is approved, the City share would be 35 percent or $4.7 billion.

estimated debt service is comprised of approximately $330,780,000 in interest payments and $554,485,000 of principal repayments.

Debt Limit

The proposed bond sales comply with the City's debt limit policy. Section 9.106 of the City Charter limits the amount of GO bonds the City can have outstanding at any given time to three percent of the total assessed value of property in San Francisco. The City's general obligation debt limit for FY 2024-25 is approximately $10.54 billion, based on a total assessed valuation of approximately $351.3 billion.

According to the Controller's Office of Public Finance, as of October 1, 2024, the City had outstanding general obligation bond debt of approximately $2.23 billion, which equals approximately 0.63 percent of the City's assessed valuation. If the Board of Supervisors approves the proposed bonds, the debt ratio would increase to 0.79 percent, which is under the three percent debt limit. If all of the City's voter-authorized and unissued general obligation bonds were issued, the total debt burden would be 1.08 percent of the net assessed value of property in the City.

Property Tax Rates

General obligation bond debt service is paid for by special property taxes. The City's Capital Plan includes a policy of limiting the property tax rate related to the City's general obligation bonds at $0.1201 per $100 of assessed value, the relevant property tax rate in effect during FY 2005-06. According to the Office of Public Finance, the proposed transaction is in compliance with this financial policy.

RECOMMENDATIONS

Approve the proposed resolutions and the proposed ordinance.

#	Bond Program	Component	Project(s)	Description	Est. Completion Date (i)	Current Status	Proposed Uses 2024 3rd Issuance GO Bond	Proposed 2024 3rd Issuance GO Bond Amount	Total Estimated GO Bond Project Costs	Total GO Bond Project Costs Spent to Date (ii)	Total % Spent (Total Estimated Cost)
1	2020 ES	**Emergency Firefighting Water System (EFWS)**	Potable Emergency Firefighting Water Systems ("PEFWS") - pipelines and pump stations (west side of the City), Fireboat Manifolds.	Expand (P)EFWS by approx. five pipeline miles and plan for new pumping facilities; Extend the EFWS along Marin St along Evans Ave, and install high- pressure fire hydrants and high-pressure valves; Install new manifold in Mission Bay to allow fireboats to pump seawater into EFWS, and relocate/improve existing manifolds/connector pipelines at Fort Mason & Pier 33.5.	Sept 2029	Potable Emergency Firefighting Water System (PEFWS): Planning and design (for pipelines and pump station improvements); Fireboat Manifolds: design phase; construction schedule will be developed in 2025-2026	Planning and design efforts for additional PEFWS projects, fireboat manifold projects, hydraulic modeling, and EFWS pipeline extension along Marin St.	41,128,418	151,170,852	22,575,738	15%
2	2020 ES	**Neighborhood Fire Stations & Support Facilities**	SFFD Division of Training (formerly referred to as the Fire Training Facility)	Construct new SFFD Division of Training facility at 1236 Carroll Avenue (classrooms, live-fire training, equipment training, and emergency medical services (EMT) training). New facility will replace the existing training facility in the Mission District & on Treasure Island, which SFFD must vacate.	Aug 2028	Design phase (design development)	Completion of design, pre-construction services, and partial construction efforts.	88,255,521	270,827,260	46,674,115	17%
3	2020 ES	**District Police Stations & Support Facilities**	Ingleside Station, Surge Facility, Mission Station	Ingleside Police Station replacement project; Construct temporary "Surge" facility at 1828 Egbert Ave, for Ingelside Police staff while in construction; Voluntary structural improvements & shower resoration/waterproofing and ADA improvements at Mission Police Stn.	Ingleside: Dec 2028; Surge: April 2026; Mission: completed Sept 2023	Ingleside: Design phase (schematic); Surge: Design phase (construction docs); Mission: project complete	Completion of design, permitting, and construction for Ingleside Police Station.	87,141,794	119,163,994	10,134,087	9%
								216,525,733	**541,162,106**	**79,383,940**	0

#	Bond	Program	Project	Description	Est. Completion Date	Status	Proposed 2024 GO Bond Amount	Total Estimated Project Costs	Total Project Costs Spent to Date
1	2018 Seawall	Labor	N/A	Port labor for program management	N/A	On going	$4,900,000	TBD	$9.0M
2	2018 Seawall	US Army Corp of Engineer	N/A	USACE FLood Study and project planning/design	N/A	On going. USACE Chief's report due to Congress summer 2026.	$20,000,000	TBD	$6.9M
3	2018 Seawall	Program Advisory Services	N/A		2030	RFP to go out late 2024	$10,600,000	$42.5M	$0.0M
4	2018 Seawall	Enviornmental Impact Rep	California Environmental Quality Act	CEQA Environmental Impact Report	2026	Contract to award late 2024	$3,000,000	$4.0M	$0.0M
5	2018 Seawall	Final Design - Early Project	Wharf J 9 Replacement Project	Replacement of the deteriorating wharf and seawall in Fisherman's Wharf	2028-2030	Predesign complete. FInal design to sart in 2025.	$11,200,000	$50M-$80M	$1.7M
6	2018 Seawall	Final Design - Early Project	Downtown Coastal Resilience Project	Flood defense and seismic improvement in the Financial District & South Beach	2029-2032	Predesign to be complete in 2026.	$22,900,000	$250M-$1B	$2.3M
7	2018 Seawall	Final Design - Early Project	Pier 24.5 to 28.5 Earthquake Safety Project	Improve seawall along Piers 24.5 - 28.5	2029-2031	Predesign to be complete in 2026.	$11,200,000	$100M-$300M	$1.0M
8	2018 Seawall	Final Design - Early Project	Pier 9 Seawall Earthquake Safety Project	Improve earthquake safety and disaster response capability for Pier 9, which sits upon the century old seawall	2027-2028	Predesign complete. FInal design to sart in 2025.	$25,500,000	$20M-$30M	$0.9M
9	2018 Seawall	Final Design - Early Project	Pier 15 Earthquake Safety Project	Improve earthquake safety and disaster response capability for Pier 15, which sits upon the century old seawall	2027-2028	Predesign complete. FInal design to sart in 2025.	$7,000,000	$7M-$10M	$0.6M
10	2018 Seawall	Other City Dept & Other G	N/A	As-needed services	N/A	On going	$3,000,000	TBD	$0.5M