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 20, 2024 Budget and Finance Committee Meeting

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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.
- 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 timely restitution payments to workers, and determine the appropriate restitution payments to be paid from the Worker Justice Fund.

Fiscal Impact

- The proposed ordinance, as amended, would result in OLSE losing 50 percent of its 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, 50 percent OLSE's budgeted penalty revenues are $462,500.
- Under the revised ordinance, OLSE estimates it would require three additional positions to administer the fund at an annual cost of approximately $610,000. We also 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 $770,000 to $1.1 million.

Policy Consideration

- According to OLSE, had the revised Worker Justice Fund requirements been in effect during the past three fiscal years, 248 workers would have received $918,000 from the fund; or, an average of 83 workers annually receiving a total of about $306,000 annually. This is less than the amount of penalty revenue that would be diverted to the fund, which we estimate is approximately $700,000 per year. The Board should monitor the actual spending and fund balance of the Worker Justice Fund and reduce the amount of penalty revenue diverted to the Fund if the balance consistently exceeds one year of spending.

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.

[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. The ordinance was amended in the November 13, 2024 Budget & Finance Committee meeting to reduce the amount of penalty revenue diverted to the fund from 100 to 50 percent and remove prevailing wage and parental leave violations from the scope of eligible payments from the fund.

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, the employer failed to make an agreed upon payment, or the payment plan exceeds one year (or five years for violations of the Health Care Security Ordinance). A worker is also eligible if they have not received any restitution (regardless of the amount of time that has passed), and OLSE or the City Attorney have determined that it is infeasible or impracticable to collect from the employer. The ordinance has been amended to also include workers whose restitution funds have been escheated and appropriated to the Worker Justice Fund.

Worker Justice Fund Deposits and Spending

Under the proposed ordinance, the Worker Justice Fund would receive 50 percent of monies, as amended, 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; and has been amended to also include escheated funds (that is, taking ownership of unclaimed funds that the City has retained on behalf of workers for three or more years, following state law).

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 eligible 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. Under the revised ordinance with a narrower scope, the OLSE estimates that over the last three fiscal years, a total of 248 workers would have been eligible to seek restitution from the fund for an approximate total of $918,000; this equates to about 83 workers annually seeking an annual average of $306,000.The annual number of

[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.

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 April 2026.

Worker Payment Priority

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, as amended:
    - (1) escheated funds due to eligible workers has been added as the first priority;
    - (2) minimum wage and personal services minimum contractual rate;
    - (3) paid sick leave, domestic workers' equal access to paid sick leave, and public health emergency leave (paid parental leave has been removed); and
    - (4) health care security and health care accountability, with a narrowed scope of only when the employer entered into a written agreement with the City Attorney to make payments to the City over more than five years on behalf of eligible workers.[3]

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. The ordinance has also been amended to specify the possibility that an employer may be debarred from contracting with the City, when appropriate, for violating worker protections specified in the Labor and Employment Code.

OLSE notes that the appropriation of penalty revenue to the fund, and the proposed prioritization of payments differs from existing law in the case of minimum wage. 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).[4] If the proposed ordinance is approved, this Code section would need to be amended in order to be consistent with the requirements of the Worker Justice Fund.

[3] Miscellaneous prevailing wages and minimum compensation have been stricken as the last prioritization category from the amended ordinance.

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

FISCAL IMPACT

The proposed ordinance would result in OLSE losing 50 percent of its 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, 50 percent of OLSE's budgeted penalty revenues would be $462,500. In addition, OLSE says it will require three additional positions (down from four previously estimated for the prior version of this legislation) at an annual cost of approximately $610,000. 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 the total annual impact on the General Fund is therefore between $770,000 to $1.1 million.

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, and the ordinance has been amended to provide three years for OLSE and TTX to undertake this process. According to Tajel Shah, Treasurer-Tax Collector Deputy Director, no additional funding is required for 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 50 percent of 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, 50 percent of the $1,502,705 (or, $751,353) 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.[5] The ordinance specifies the intent of the Board of Supervisors to continue funding OLSE at its current level.

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, up to 50 percent of this funding source may 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 now require three (down from four) full-time equivalent (FTE) Senior Analyst positions to administer the Worker Justice Fund at a total cost of $613,002 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 three 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 CONSIDERATION

Size of Worker Justice Fund

As noted above, according to OLSE, had the revised Worker Justice Fund requirements been in effect during the past three fiscal years, 248 workers would have received $918,000 from the fund, requiring spending of $306,000 per year, on average, from the Fund. Actual penalty revenues over the past five fiscal years were $1.4 million, on average, per year. Diverting 50 percent of the penalty revenues (approximately $700,000 per year) to the Worker Justice Fund will likely result in the Fund accumulating a fund balance increasing by $400,000 per year. The

[5] 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.

Board should monitor the actual spending and fund balance of the Worker Justice Fund and reduce the amount of penalty revenue diverted to the Fund if the balance consistently exceeds one year of spending.

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.

Item 2 File 24-1037	Department: San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the first amendment to a contract between the San Francisco International Airport (Airport) and South San Francisco Scavenger Co., Inc. (Scavenger), increasing the not-to-exceed amount by $13,108,062, for a total not to exceed $22,408,062, exercising the first of two three-year options and extending the term by three years for a total term of March 1, 2022 through February 28, 2028, and authorizing the Airport to make further immaterial amendments to the contract.

Key Points

- In November 2021, the Airport issued a Request for Proposals (RFP) to award a new solid waste management services contract. The Airport received one proposal from South San Francisco Scavenger Co., Inc. (Scavenger), the existing provider, which was deemed to meet all minimum required qualifications outlined in the RFP. Because there was only one proposal which met all minimum required qualifications, in February 2022, the Airport executed a contract with Scavenger for a term from March 1, 2022 through February 28, 2025, with two three-year extension options, and an amount not to exceed $9,300,000.
- Under the contract amendment, Scavenger will continue to provide waste management services, such as collection, hauling and processing of refuse (recyclables, compostables, and trash) generated at Airport facilities, bins and containers for various refuse materials, maintenance and sanitation of all bins, equipment, etc., enhanced zero waste services to align with the Airport's strategic goal to achieve zero waste by 2030, among other services. The proposed amendment increases service rates for materials by a general range of three to nine percent, depending on the year.
- The Airport prepared a three-year performance evaluation summary report and found that Scavenger generally met contractual obligations or exceeded expectations in most of the performance areas.

Fiscal Impact

- The proposed first amendment would increase the not-to-exceed amount of the Scavenger contract by $13,108,062, for a total not to exceed $22,408,062. Projected expenditures are based on the vendor's proposed cost of materials per ton and the estimated tonnage of materials generated during the contract extension term, which is based on tonnage from the previous year as well as anticipated increases to passenger travel. The source of funds for the contract is Airport operating funds.

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 November 2021, the Airport issued a Request for Proposals (RFP) to award a new solid waste management services contract. The Airport received one proposal from South San Francisco Scavenger Co., Inc. (Scavenger), the existing provider, which was deemed to meet all minimum required qualifications outlined in the RFP. According to the RFP, proposers must meet the following required minimum qualifications: (1) At least three years of experience within the last five years providing composting, recycling, and disposal services and refuse collection with a minimum of 25,000 tons of collected refuse annually, (2) Achieved in at least one of the last five years a recovery rate of at least 50 percent of materials diverted from the landfill at the vendor's facility or a contracted facility, including recycling and composting, and (3) Provide evidence of either ownership of materials recovery and composting facilities, or a "letter of intent" or contract from materials recovery and compostables facilities with capacity to handle a maximum of 6,000 tons of compostable materials annually from the Airport and a maximum of 5,000 tons of recyclable materials annually from the Airport. Because there was only one proposal which met all minimum required qualifications, the Airport stated that panelists were not required to evaluate and score the proposal. Consequently, in February 2022, the Airport executed a contract with Scavenger for a term of three years, from March 1, 2022 through February 28, 2025, with two options to extend for three years each, and an amount not to exceed $9,300,000. Because the contract was less than $10 million and less than 10 years, the contract did not require Board of Supervisors' approval.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to a contract between the San Francisco International Airport (Airport) and South San Francisco Scavenger Co., Inc. (Scavenger), increasing the not-to-exceed amount by $13,108,062, for a total not to exceed $22,408,062, exercising the first of two three-year options and extending the term by three years for a total term of March 1, 2022 through February 28, 2028, and authorizing the Airport to make further immaterial amendments to the contract.

Services

Under the proposed amendment, Scavenger will continue to provide the following services to the Airport:

- Collection, hauling and processing of refuse (recyclables, compostables, and trash) generated at Airport facilities, including terminal boarding areas, parking garages, and administration and maintenance buildings;

- Provision of bins for compostable materials, recyclables, trash and cardboard, containers for cardboard recycling and toters/containers for mixed paper recycling;
- Short-term, on-call and emergency collections as needed by the Airport;
- Maintenance and sanitation of all containers, bins, equipment, and storage areas;
- Identification of opportunities to reduce the level of trash service to reduce costs to the Airport and maximize landfill diversion[1] to achieve the minimum 65 percent diversion rate requirement.

In addition, the proposed amendment requires the contractor to:

- Provide enhanced zero waste services to align with the Airport's strategic goal to achieve zero waste by 2030, such as assigning a designated Zero Waste liaison, increased on-site staff training and monitoring, developing and conducting a contamination reduction campaign, providing as-needed technical assistance, conducting annual waste characterization audits, and participating in Airport community engagement events, among other activities. By 2028, the contractor will aim to achieve 85 percent diversion.

Service Rates

The contract establishes different rates per ton for hauling refuse based on the material type, from $98.98 per ton of scrap metal to $1,001.92 per ton of e-waste in Year 1 of the contract. Under the existing contract, service rates increased by three percent per year. Under the proposed amendment, service rates would change as follows:

- In Year 4 (March 2025 to June 2025), service rates for all materials will increase by eight percent, except for cardboard and comingled/mixed recyclables which will increase by approximately 38 percent and 30 percent.[2]
- In Years 4-5 (July 2025 to June 2026), service rates for all materials will increase by approximately three percent.
- In Years 5-6 (July 2026 to June 2027), service rates for all materials will increase by approximately nine percent, except for scrap metals which will increase by approximately 10 percent.
- In Year 6 (July 2027 to February 2028), service rates for all materials will increase by approximately six percent.

According to the Airport, service rates are increasing because of the vendor's need to implement additional zero waste services to meet regulatory requirements and the Airport's zero waste goals during the contract extension, as well as the increased costs for labor, maintenance,

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[1] Diversion from landfill refers to the practice of redirecting waste away from landfills through methods like source reduction, reuse, recycling, and composting.

[2] According to the Airport, the 38 percent increase in the per unit cost for cardboard is mainly because loose cardboard requires a larger than expected amount of labor and vehicle time to collect and process the material for recycling. The 30 percent increase in the per unit cost for comingled/mixed recyclables is mainly because these materials require an intensive amount of labor to clean, collect, process and separate into various components, as well as remove contaminants.

disposal and processing, and administration. In addition, the Airport states that larger than expected inflation impacted the vendor's costs of equipment, trucks, fuel and supplies needed to perform the services. Service rates for the first three years of the contract were also based on passenger travel projections from 2020 and 2021, which were lower because of the pandemic. The Airport anticipates a rise in passenger travel over the next few years[3], which will result in increased pick-up frequencies for the vendor to accommodate passenger travel and business operations.

Performance

Under the proposed first amendment, Scavenger is required to submit the following reports: (1) annual destination market report of Airport recyclables and compostables, (2) annual zero emissions vehicles or alternative fuel vehicles mileage log, (3) annual preventative equipment maintenance inspection log, (4) annual recordkeeping report to fulfill SB 1383[4] requirements; and (5) monthly diversion reports detailing a breakdown of all materials collected and diverted and other data such as frequency of collection, tonnage of recyclables, compostables and trash, and quantity of each collection container type.

Although the contract does not require performance monitoring reports, the Airport prepared a three-year performance evaluation summary report and found that Scavenger generally met contractual obligations or exceeded expectations in the following areas: service consistency, on-call pickup services, usage of zero emissions vehicles or alternative fuel vehicles, submission of contamination tracking reports, accuracy of monthly invoice reports, equipment maintenance, cleaning and service and service records maintenance, and submission of quarterly reporting requirements tracking waste diversion and other key metrics. However, Scavenger did not meet the contractual landfill diversion target rate of 65 percent, with an average annual diversion rate of 60.9 percent from 2022 to 2024, as of October 2024. The report noted this may be due to contamination of waste streams from SFO facilities, as well as waste reduction measures to remove compost (food recovery) and recyclables (plastic bottles and paper-towels) from the waste stream skewing the diversion rate lower due to an increase in the relative percentage of landfill waste. The report also noted that the diversion rate is anticipated to increase because of enhanced zero waste services and efforts during the proposed contract extension term.

FISCAL IMPACT

The proposed first amendment would increase the not-to-exceed amount of the Scavenger contract by $13,108,062, for a total not to exceed $22,408,062. The estimated budget for the proposed extension from March 2025 to February 2028 is shown in Exhibit 1 below.

[3] According to the Airport, total passenger travel (enplanements, deplanements and in-transits) was approximately 736,445 in February 2021 and 3,421,645 in February 2024.

[4] SB 1383 establishes new organic waste collection and recycling programs, food recovery programs, and requirements for jurisdictions to procure recycled organic products like compost to reduce the amount of organic waste sent to landfills.

Exhibit 1: Estimated Budget, March 2025 to February 2028

Projected Expenditures	Amount
Year 4 (March 2025 to June 2025 - 4 months)	$1,254,708
Years 4-5 (July 2025 to June 2026)	3,948,905
Year 5-6 (July 2026 to June 2027)	4,553,174
Year 6 (July 2027 to February 2028 - 8 months)	3,351,275
Total Not to Exceed	**$13,108,062**

Source: Airport

Actual contract expenditures from March 2022 to February 2025 are estimated to be $9,021,253, which is $278,747 less than the current not-to-exceed contract amount of $9,300,000. According to the Airport, actual spending has been less than the contract amount because there were slightly less tons of refuse and material generated than were originally estimated, which resulted in lower expenditures.

The Airport states that projected expenditures are based on the vendor's proposed cost of materials per ton[5] and the estimated tonnage of materials generated during the contract extension term, which is based on tonnage from the previous year as well as anticipated increases to passenger travel. As described above, the proposed amendment increases service rates for materials by a general range of three to nine percent, depending on the year.

The source of funds for the contract is Airport operating funds.

RECOMMENDATION

Approve the proposed resolution.

[5] According to the Airport, this refers to the vendor's cost proposal during negotiations for the contract extension. The vendor's original proposal in response to the RFP did not include costs for the extension term.

Item 3 File 24-0926	Department: Treasurer & Tax Collector

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would effectuate two changes beginning in 2026 that were contingent upon the passage of the business tax reform ballot measure, Proposition M, including (1) elimination of a total of 48 business license fees across four departments, and (2) increasing the gross receipts threshold from $2.5 million to $5 million for receiving the 50 percent discount in the annual permit and license fees for the curbside Shared Spaces Program.
- Unrelated to the passage of Proposition M, the ordinance proposes to extend indefinitely two fee waivers associated with the operation of taxis. The ordinance further proposes to authorize the Treasurer & Tax Collector (TTX) to collect certain additional license fees on the unified license bill, as well as amend the delinquency date and penalty provisions and add interest.

Key Points

- Proposition M, approved by voters in November 2024, modified the City's business tax structure. Proposition M will reduce revenues between FY 2024-25 through FY 2026-27 by approximately $40 million annually and then generate $50 million in annual General Fund revenues. These revenue estimates, which were provided to voters, assumed a reduction in business license fees of approximately $10 million annually, the subject of this ordinance.
- Unrelated to Proposition M, the ordinance proposes to add a penalty of 5 percent of the license fee and interest of 1 percent of the license fee for each month the bill is unpaid and the licensee continues to operate the business—up to a maximum penalty of 25 percent.

Fiscal Impact

- The Department of Public Health (DPH) is expected to experience the greatest share of revenue loss at about $8 million (80 percent) of the total $10 million associated with the elimination of 48 fees. Other departments to lose fee revenue include Fire, Entertainment, and Public Works. The revenue losses occur starting in FY 2025-26.

Policy Consideration

- Our correspondence suggests that affected departments are under the impression that their revenue loss will be offset by increases to their General Fund budget. It is a fiscal policy matter for the Board of Supervisors to determine whether departments will receive full or partial General Fund support to cover the loss of fee revenue during the development of the FY 2025-26 budget.

Recommendation

- Approve the proposed ordinance.

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

In response to a request from Mayor London Breed and Board of Supervisors President Aaron Peskin, the Office of the Treasurer & Tax Collector (TTX) and the Controller's Office (CON) made recommendations for a business tax reform ballot measure for the November 2024 election—Proposition M. Previously, in October 2022, Supervisor Rafael Mandelman asked TTX and CON to study how the City's business tax system is being challenged by remote and hybrid work. Proposition M, which was passed by voters in the recent November 2024 election, makes a number of amendments to the City's Business and Tax Regulations Code as summarized in Exhibit 1.

Exhibit 1: Summary of Changes Made by Business Tax Reform Measure, Proposition M

Increases the small business exemption from the gross receipts tax from $2.25 million to $5.0 million
For the gross receipts and homelessness gross receipts taxes, consolidates the number of tax schedules from 14 business activity categories to 7
Adjusts tax rates for gross receipts, homelessness gross receipts, administrative office, and overpaid executive gross receipts taxes in 2025, and increases tax rates on gross receipts, administrative office, and overpaid executive gross receipts taxes in 2027 and 2028
Shifts the City's calculation of San Francisco gross receipts for most business activities away from payroll expenses and towards sales
Creates new tax credits for businesses paying stadium operator admission taxes, grocery retailers, and new lessees in certain newly constructed buildings
Makes changes to business registration fees

Source: CON

According to the Controller's August 2024 letter to the Department of Elections, Proposition M will reduce revenues between FY 2024-25 through FY 2026-27 by approximately $40 million annually and then generate $50 million in annual General Fund revenues. By FY 2029-30, the total positive revenue would offset the reduced revenue projected for the first three fiscal years, making the total amount of business tax revenue over the period (FY 2024-25 through FY 2029-30) revenue neutral. Proposition M would continue to generate $50 million annually in FY 2030-31 and thereafter. These estimates, which were provided to voters, reflect the Controller's analysis as of August 2024 and assume a reduction in business license fees of approximately $10 million annually intended to promote greater equity for small businesses, particularly restaurants and nightlife businesses. Proposition M was approved by voters in November 2024.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would effectuate two changes beginning in 2026 that were contingent upon the passage of Proposition M:

(1) Eliminate a total of 48 business license fees across four departments that yield a total of about $10 million in annual revenue, as specified further below; and

(2) Increase the gross receipts threshold from $2.5 million to $5 million for receiving the 50 percent discount in the annual permit and license fees issued by the Department of Public Works (DPW) for the curbside Shared Spaces Program.[1]

Unrelated to the passage of Proposition M, the ordinance further proposes to extend indefinitely two fee waivers associated with the operation of taxis. These include: (1) the waiver of annual business location and device registration fees for businesses with taximeter (i.e., fare meter) devices, and (2) suspension of the registration certification and fee requirements for taxi drivers and drivers for transportation network companies, such as Uber and Lyft.

Finally, the ordinance proposes to authorize TTX to collect certain additional license fees on the unified license bill[2], as well as amend the delinquency date and penalty provisions and add interest for license fees collected on the unified license bill. Specifically, the ordinance proposes to change the penalty structure for late payment of license fees to align with other business taxes and reduce the immediate penalty for businesses that pay late. The proposed penalty is 5 percent of the license fee and interest of 1 percent of the license fee for each month the bill is unpaid and the licensee continues to operate the business—up to a maximum penalty of 25 percent. Penalties and interest may be waived in whole or in part by the department administering the fee if the failure to pay is due to a reasonable cause.

Elimination of 48 Business License Fees

As noted, the ordinance would eliminate 48 annual fees, with the intention of eliminating license fees for restaurants and businesses in the nightlife industry. According to TTX, 91 percent of restaurants and 87 percent of nightlife businesses would see their annual license bill eliminated.

The majority of fees—31, or, 65 percent—are administered by the Department of Public Health (DPH). The DPH fees range in amount from a $75 registration fee for a weighing and measuring device (to ensure accuracy of scales, taximeters, and other measuring devices) to a $1,710 fee for a tattoo and piercing facility. The most common DPH fees to be waived are for a mobile food

[1] Initiated during the COVID-19 pandemic, the Shared Spaces Program transitioned to a permanent program in 2023 that activates sidewalks, curbside parking lanes, whole streets, and vacant lots. The Board of Supervisors passed legislation in June 2023 to waive permit fees for all parklet permits approved before July 1, 2024 and expand eligibility for fee waivers. Businesses with gross receipts that are less than $2.5 million qualify for a 50 percent reduction for the permit and license fees.

[2] The unified license bill is the single bill that a business receives from the City. These additional license fees include hotel fees and fees associated with being a "certified tester" for backflow prevention or cross-connection control devices.

facility, the weights and measures fee, and restaurant fees. The fees that yield the most revenue are the restaurant fees, which range from $1,007 to $1,605 depending on the size of the restaurant.

The Entertainment Commission would have nine fees eliminated, ranging from a limited live performance fee of $265 to an extended hours fee of $896. The most common fee levied by the Entertainment Commission is a $863 fee for a place of entertainment, which also yields the most annual revenue.

The Fire Department is proposed to have four fees eliminated, with the most common being a $697 fee for a place of public assembly and open-air assembly, which also yields the most annual revenue. Lastly, DPW is proposed to have four fees eliminated, with the highest revenue associated with use of tables and chairs.

FISCAL IMPACT

The proposed ordinance would eliminate a total of 48 annual fees levied by four departments, as shown in Exhibit 2, for a total fee revenue loss of approximately $10 million annually starting in FY 2025-26. DPH is expected to experience the greatest share of revenue loss at approximately $8 million (80 percent). In addition, the proposed ordinance would change the small business exemption threshold for the Shared Spaces waiver resulting in an estimated annual revenue loss of more than $140,000 to Public Works.

Exhibit 2: Fees Proposed for Elimination Yield $10 Million in Annual Revenue

Department	Fee Description	Total Number of Licenses for all Fees	Estimated Annual Revenue
Fees Eliminated			
Public Health	31 fees for a variety of functions; three restaurant fees levied by a restaurant's square footage yield the most annual revenue	12,495	$8,031,038
Fire	4 fees; the most common and highest revenue fee is for places of public assembly and open-air assembly	1,741	1,194,181
Entertainment Commission	9 fees for entertainment functions; the most common and highest revenue fee is for a place of entertainment	770	456,918
Public Works	4 fees; the fee yielding the highest revenue is related to use of tables and chairs	48	193,479
Subtotal, Fees		15,054	$9,875,616
Shared Spaces Waiver			
Public Works	Change in small business exemption threshold for Shared Spaces waiver		140,351
TOTAL			**$10,015,967**

Source: TTX

As noted, the fee revenue loss of $10 million was assumed as part of the Controller's fiscal analysis for Proposition M. According to TTX, the estimated reduction of approximately $9.9 million in annual revenues associated with eliminating fees was derived by multiplying the dollar amount for each of the 48 fees by the number of licenses issued.[3] The change to the Shared Spaces Program—expanding the number of businesses eligible for a 50 percent discount—reduces DPW revenue by an additional $140,351, which increases the total revenue loss to DPW to $333,830.

According to TTX staff, extending the two fee waivers associated with the operation of taxis is not anticipated to have an impact on revenues compared to the current fiscal year because these fee waivers have not been collected since 2017.

Department Budget Impact

According to CON staff and a TTX memo from September 2024, departments will draw from the General Fund to cover the regulatory costs of permitting and inspections previously covered by the fees. DPH reports that the estimated revenue loss will be reflected in their FY 2025-26 budget

[3] Two fees levied by DPW were derived based on the Department's estimate.

submission, and the Department has been coordinating with CON and the Mayor's Budget Office on the revenue impact of this legislation.

POLICY CONSIDERATION

Our correspondence suggests that some affected departments are under the impression that their revenue loss will be offset. Since the 48 license fees are not scheduled to be eliminated until 2026, there is time for the Board of Supervisors to determine how the loss of fee revenue for the four departments will be absorbed. All or some of the four departments may be able to absorb the loss of fee revenue from within their existing General Fund budget, or the Board may wish to provide financial support for a full or partial amount to some or all of the four affected departments to cover the loss of fee revenue during the development of the FY 2025-26 budget. This is a fiscal policy matter for the Board of Supervisors.

RECOMMENDATION

Approve the proposed ordinance.

Item 6 **File 24-1094**	**Department:** Municipal Transportation Agency (MTA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve Modification No. 4 to the grant agreement between San Francisco's Municipal Transportation Agency (MTA) and Hitachi for design review, software, implementation, and testing services for the Central Subway's Advanced Train Control System (ATCS).
- Modification No. 4 would increase the contract amount by $2,095,085, from $27,730,300 to $29,825,385, and retroactively extend the substantial completion date through August 30, 2022, and extend the three-year warranty period to August 30, 2025.

Key Points

- The Central Subway was operational for service on the substantial completion date of August 30, 2022 but due to work unrelated to the scope of this contract, passenger service did not begin until January 2023.
- Modification No. 4 would update the contract in the following five ways: (1) acknowledge the name change of the contractor; (2) compensate the contractor for additional work; (3) compensate the contractor for delays; (4) backfill spending MTA authorized on the contract that was originally supposed to be paid for by another firm; and (5) extend the contract by four months to August 30, 2025.

Fiscal Impact

- The full amount of this contract amendment will be funded by the Central Subway Capital Budget Reserve. The proposed contract increase will not change the total project budget of $1.891 billion as of March 2021.

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

Central Subway Project

The MTA's Central Subway Project is Phase 2 of the Third Street Light Rail Project and consists of the construction of a new subway (MUNI) line in San Francisco that runs 1.6 miles from Fourth and Brannan Streets, north under Fourth Street to Stockton Street, and north under Stockton Street into Chinatown. The subway currently operates using an Advanced Train Control System (ATCS), which is a specialized and proprietary system solely owned by Hitachi Rail GTS USA Inc (Hitachi) that controls light rail vehicle movement, speed, headway, and braking in the subway. ATCS was first supplied by Thales Transport & Security Inc. (Thales) to MTA in 1992. Hitachi acquired Thales Transport & Security Inc. in 2024.

MTA Contract with Hitachi Rail

In December 2013, MTA entered into an agreement with Thales for the design review, software, implementation, and testing services for ATCS for the Central Subway Project. MTA awarded the contract to Thales on a sole source basis, as ATCS is a proprietary system already in use by Muni, and the Central Subway's ATCS must be interoperable with the existing ATCS. The Board of Supervisors retroactively approved the original agreement in June 2014 (File 14-0474). The original agreement was for a not-to-exceed amount of $21,363,292 with a term ending three years after the substantial completion date, reflecting a three-year warranty period. At the time of the original agreement, the projected substantial completion date was June 28, 2020, with the warranty period ending June 28, 2023. The original contract has been modified three times, as shown below in Exhibit 1. The MTA Executive Director approved Modifications 1 and 2, and the Board of Supervisors approved Modification 3.

In July 2014, MTA assigned the contract to the Central Subway construction contractor Tutor Perini Corporation, so that Hitachi would be a subcontractor to Tutor. Due to disagreements between Tutor Perini and Thales regarding design and coordination, the arrangement proved unworkable, and in 2019 the MTA re-assigned itself control of the contract.

This proposed fourth modification pays for the contractor's review of MTA's changes to ATCS designs, performs final ATCS engineering and designs, provides as-needed oversight and inspection of ATCS infrastructure and equipment installation, and provides testing services to support ATCS installation and implementation to extend the ATCS into the Central Subway. On November 6, 2024, the MTA Board of Directors approved Modification 4.

Exhibit 1: Hitachi Contract Amendments

Modification No.	Date	Description	Not-to-Exceed Amount
Original	12/3/13	MTA entered into a contract with Thales for implementation of extending the ATCS into the Central Subway. In July 2014, MTA assigned the contract to Tutor Perini Corporation (Tutor) so Thales could be a subcontractor to Tutor. (File 14-0474)	$21,363,292
1	12/3/19	Prompted by disagreements between Tutor and Thales over ATCS design, schedule, and coordination, MTA reassigned the contract back to itself, and reduced the contract amount to $14,400,001 to reflect the remaining value of work.	$14,400,001
2	2/19/21	MTA modified the contract to account for Thales' review of modified ATCS designs concerning emergency stop equipment, station controllers, the location of wayside equipment installation, and increased the contract amount by $14,898,557.	$14,898,557
3	4/30/21	MTA updated the contract terms to reflect updated ATCS software and designs to conform to national fire codes, corrected track speed limits, modified installation requirements, accelerated completion of work. The modification also extended the substantial completion date by 670 days to April 29, 2022, extended the warranty period to April 29, 2025, and compensated the contractor for costs incurred arising from delays, for a modified contract amount of $27,730,300. (File 21-0338)	$27,730,300
4*	*Pending approval	The proposed modification changes the name of the contractor to Hitachi and updates other contract terms, per the following section. The modification increases the contract amount by $2,095,085 and extends the contract by four months.	$29,825,385

Note: Contract Modification No. 4 is what this resolution would approve.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the fourth amendment to the contract between MTA and Hitachi for design review, software, implementation, and testing services for the Central Subway's Advanced Train Control System (ATCS). Specifically, this fourth contract modification would update the contract in the following five ways: (1) acknowledge the name change of the contractor; (2) compensate the contractor for additional work; (3) compensate the contractor for delays; (4) add funding to backfill previous spending on the contract that MTA authorized because the Central Subway construction firm originally refused to pay Hitachi; and (5) extend the contract by four months to August 30, 2025. This amendment would increase the not-to-exceed amount of the contract by $2,095,085 for a total amount of $29,825,385.

The purpose of the fourth modification to the contract is to account for additional costs owed to the contractor, as well as to formally recognize the name change and extend the contract end date by four months, as described below.

Name Change

In 2022 Thales Transport & Security Inc. was acquired and changed its name to Ground Transportation Systems USA Inc., and in 2024, Hitachi acquired Ground Transportation Systems USA Inc. Modification 4 acknowledges the contractor’s name change from Thales Transport & Security Inc. to Hitachi Rail GTS USA Inc. and replaces every instance of the prior name with Hitachi. There has been no other change to the legal identity or status of the company that would impact the contract according to the proposed modification.

Additional Work

Modification 4 increases the contract amount by $392,992 to compensate Hitachi for additional work Hitachi performed from MTA’s updated ATCS designs and specifications. To improve subway throughput, MTA requested design changes that allow non-communicating trains to depart if the upcoming platform block is occupied as long as the interstation blocks are not occupied. Non-communicating trains are not connected to ATCS but are instead routed using a backup system. According to MTA Program Manager David Rojas, this amount was negotiated based on an independent cost analysis a consultant undertook for MTA, the overall business relationship between MTA and Hitachi, and costs of delaying further.

Costs of Delays

Modification 4 increases the contract amount by $996,685 to compensate Hitachi for a total of 136 days of work delayed due to lack of access to Central Subway sites due to construction, fire in a MUNI power substation, and a work safety zone violation during testing, which resulted in Hitachi’s inability to access the Central Subway. The contractor was delayed 34 days in 2021 due to construction delays, 14 days in 2022 due to a fire at the Yerba Buena Station traction power substation, and 88 days in 2023 due to a work safety zone violation in the Central Subway during testing. According to the MTA staff memo to the MTA Board of Directors on the proposed contract modification, the increase in the contract amount to compensate Hitachi for delays was negotiated with the assistance of a claims expert contracted through the MTA’s project and construction management contract for the Central Subway Project with AECOM. According to the memo, denying the claims may have resulted in further delays to the project or litigation.

Payment for Prior Work

Modification 4 increases the contract amount by $703,408 to replenish funds MTA paid Hitachi in August 2022 from the existing contract for work performed under the construction contract. It reflects the amount Tutor withheld from Hitachi when Hitachi was Tutor’s subcontractor on the Central Subway construction contract. Tutor disputed this payment and MTA paid Hitachi this amount to ensure work would continue uninterrupted. According to Program Manager Rojas, MTA recovered the funds from Tutor during the final contract settlement.

Extend Completion Date by Four Months

Finally, Modification 4 retroactively extends the substantial completion date from April 29, 2022 to August 30, 2022 and extends the warranty period (which is three years) to August 30, 2025, which reflects the contract end date. According to Program Manager Rojas, the substantial completion date reflects the date the system becomes operational for revenue service, which was August 30, 2022. There was additional work done on the Central Subway project unrelated to the scope of the Hitachi contract that pushed passenger service until January 2023. The three-year warranty period covers any defects identified post revenue service and assures the defects are corrected by Hitachi. SFMTA maintains a separate agreement with Hitachi to cover the existing train control system maintenance costs.

Performance Monitoring

According to Program Manager Rojas, the project team is reviewing defects from now until the end of the warranty period. The retention funds owed to Hitachi (discussed above) will only be released once the defects are resolved.

FISCAL IMPACT

The proposed Contract Modification No. 4 would extend the contract term by four months and increase the not-to-exceed amount by $2,095,085 for a total amount of $29,825,385. Exhibit 2 below summarizes the uses of the proposed contract spending.

Exhibit 2: Hitachi Contract Amendment No. 4 Expenditures

Expenditures	Amount ($)
Existing Not to Exceed Amount	$27,730,300
Replenishment	705,408
Additional Work	392,992
Delay – Construction delay (34 days)	600,000
Delay – YBM substation fire (14 days)	255,564
Delay – Work zone safety violation (88 days)	141,121
Subtotal, Modification 4 Additions	**2,095,085**
Proposed Not-To-Exceed Amount	**$29,825,385**

Source: Proposed Contract Modification No. 4

The proposed increase in the contract amount includes funding to compensate Hitachi for work performed under the Central Subway construction contract, compensates Hitachi for additional work due to design changes requested by the MTA, and for costs incurred due to project delays.

Source of Funding

The full amount of this contract amendment will be funded by the Central Subway Capital Budget Reserve. According to the MTA staff memo to the MTA Board of Directors on the proposed contract modification, the proposed contract increase will not change the total project budget of $1.891 billion as of March 2021. The Central Subway Project is funded by a mix of Federal, State, and local funds.

RECOMMENDATION

Approve the proposed resolution.

Item 8 **File 24-1101**	**Department:** Children, Youth, and Their Families

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution retroactively approves a new five-year grant agreement between the Department of Children, Youth, and Their Families (DCYF) and Bay Area Community Resources (BACR) for seven youth programs, with a not-to-exceed amount of $16,806,000, covering the period from July 1, 2024, through June 30, 2029.

Key Points

- BACR is a non-profit organization that collaborates with schools, community partners, and stakeholders in San Francisco to support at-risk youth by enhancing academic success, promoting social-emotional learning, and engaging families and communities through accessible and responsive services.
- Under the proposed agreement, BACR would provide services through the following programs are (1) A Home Away From Homelessness, (2) A.P. Giannini Beacon, (3) Bret Harte Beacon, (4) Hoover Beacon, (5) Paul Revere Beacon, (6) Summer Learning, and (7) Latino Task Force After School. BACR currently administers six of these seven programs (all except "Latino Task Force After School") under separate agreements that expired on June 30, 2024, and was awarded funding to continue all seven programs through a competitive process.
- In FY 2022-23, the "A Home Away from Homelessness" program only served 20% of contracted clients. The program is intended to service homeless youth.

Fiscal Impact

- The total grant amount is $16,806,000 over five years, with an annual budget of $2,889,000 in FY 2024-25. The grant will be funded by the General Fund and/or the Children and Youth Fund.
- Funding supports program staffing (totaling 26.62 full-time equivalent positions), subcontractor services, materials, supplies, and administrative costs.

Recommendations

- Request DCYF provide an update to the Board of Supervisors by December 2025 on the performance of the "A Home Away From Homelessness" program during the 2024-25 school year.
- 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

Bay Area Community Resources

Bay Area Community Resources (BACR) is a non-profit that operates multiple programs in San Francisco aimed at supporting at-risk youth, enhancing academic success, promoting social-emotional learning, and engaging families and communities. The organization collaborates closely with schools, community partners, and other stakeholders to deliver services that are accessible and responsive to the needs of the communities they serve.

Procurement

In August 2023, the Department of Children, Youth, and Their Families (DCYF) issued a Request for Proposals (RFP) for the 2024 through 2029 funding cycle. BACR submitted several proposals under the RFP Result Area, "All Children and Youth are Ready to Learn and Succeed in School." This Result Area and proposed programs focus on resources, supports, and activities that provide opportunities for youth to learn, gain social-emotional learning skills, engage educationally, and access needed support for children and youth from 5 to 17 years old.

The BACR currently provides these programs (except the newly developed “Latino Task Force After School”) under separate agreements, which expired June 30, 2024. BACR was awarded funding in all seven programs. The RFP scoring and other procurement information is summarized in Exhibit 1 below.

Exhibit 1: Procurement Summary

	A Home Away From Homelessness	**A.P. Giannini Beacon**	**Bret Harte Beacon**	**Hoover Beacon**	**Paul Revere Beacon**	**Summer Learning**	**Latino Task Force After School**
Selection Panel	Girls Sports Coach Adjunct, Heald College Acting Director, SF DCYF	Community Partnerships Director of Education and Youth Development, CCSF Manager I, SF DCYF Manager I, SF DCYF	Community Partnerships Director of Education and Youth Development, CCSF Manager I, SF DCYF Manager I, SF DCYF	Community Partnerships Director of Education and Youth Development, CCSF Community Development Specialist, SF DCYF Division Director, Catholic Charities CYO	Manager I, SF DCYF Consultant, SFUSD ExCEL After School Programs Senior Community Development Specialist 2, SF DCYF	Executive Projects and Strategic Planning, SF MTA Senior Administrative Analyst, SF DCYF Deputy Director III, SF DCYF Consultant	Senior Community Development Specialist 2, SF DCYF Principal Administrative Analyst, SF RPD Community Development Program Coordinator, City of Oakland, CDBG/Commercial Lending
Total Number of Proposals	24	28	28	28	28	74	74
Number of Proposals Awarded Funding	10	26	26	26	26	41	41
BACR Average Score (out of 100)	75.37	84.07	84.1	89.23	76.6	89.6	78.43
BACR Rank out of Total Number of Proposals	17 out of 24	22 out of 28	21 out of 28	6 out of 28	28 out of 28	9 out of 74	52 out of 74

Source: DCYF

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve a new grant agreement between DCYF and the BACR for seven programs: (1) A Home Away From Homelessness, (2) A.P. Giannini Beacon, (3) Bret Harte Beacon, (4) Hoover Beacon, (5) Paul Revere Beacon, (6) Summer Learning, and (7) Latino Task Force After School. The grant has a five-year term starting July 1, 2024, through June 30, 2029, and a not-to-exceed amount of $16,806,000.

Scope of Services

1. A Home Away From Homelessness

The program provides year-round (except July) after-school tutoring, individual support, college and career readiness, referrals to outside services, and enrichment activities at a house in Fort Mason for 14 youth from 11 to 17 years old that are experiencing homelessness or housing instability. The program aims to create a safe, nurturing environment where youth can develop critical skills, build trusted relationships, and engage in new experiences through nature-based field trips and cultural outings.

2. A.P. Giannini Beacon

Beacon Community Schools (BCS) is a DCYF Program supported by the subcontractor "San Francisco Beacon Initiative" that collaborates with BACR (as well as other providers) to provide learning, health and social supports, and community engagement at multiple San Francisco Unified School District schools. In this case, they collaborate with A.P. Giannini Middle School leadership year-round to coordinate Community School programming, targeting services to address the prioritized needs 350 youth aged 11-17 in the school community. Offers before, during, after-school, and summer programs aligned with academic and SEL elements of the Common Core Standards. Enhances behavioral health and wellness supports and strengthens family engagement efforts.

3. Bret Harte Beacon

BACR and BCS work closely with Bret Harte Elementary School leadership and community partners year-round to coordinate community service programming for 165 youth aged 5-13. Provides expanded learning programs before, during, after-school, and summer. Aims to strengthen family engagement and leverage community partnerships.

4. Hoover Beacon

BACR and BCS partner with Herbert Hoover Middle School year-round to coordinate and intentionally target community services addressing the priority needs of 235 youth between the ages of 11 to 13 within the school community. Offers expanded learning programs aligning with Common Core Standards. Provides school-day programs for students unable to attend before or after-school enrichment activities, addressing barriers such as transportation. Enhances behavioral health and wellness supports and family engagement efforts.

5. Paul Revere Beacon

BACR and BCS collaborate with Paul Revere K-8 school leadership year-round to coordinate Community School programming, targeting services to address the prioritized needs of 208 youth between the ages of 5 and 13 within the school community. Provides expanded learning programs before, during, after-school, and summer. Builds on existing behavioral health supports and strengthens family engagement efforts.

6. Summer Learning

BACR utilizes many subcontractors[1] to serve students in grades TK-5 with programs meeting five days a week for nine hours per day over six weeks at designated San Francisco Unified School District (SFUSD) school sites and serves 600 students between the ages of 5 and 13 years old. Structures the day into classes focusing on literacy, math, science, art, and physical recreation, dedicating time to academic recovery and preventing summer learning loss. Emphasizes academic enrichment, skill-building, STEM programs, SEL, cultural awareness, and youth development principles. Includes week-long afternoon clubs and potential field trips.

7. Latino Task Force After School

Latino Task Force is an existing DCYF program that has recently been adopted by BACR. They collaborate with the subcontractor MLVS to serve 60 newcomer students aged 5 to 13 years old year-round, who are living in shelters or are underhoused. Provides academic, literacy, enrichment, art, and health activities during the summer and holidays, including field trips. The program is called "Latino Task Force" but it is provided by Bay Area Community Resources, not the Latino Task Force, which started the program in prior years.

Performance

The grant agreement includes specific performance measures for each program to ensure effectiveness and accountability. The performance measures are consistent across the programs, with some variations tailored to the unique focus of certain programs.

[1] Ultimate Impact, Nagata Dance, America SCORES, Chase Culinary Education, Grasshopper Kids, Bay Area Dodgeball, After School Music Academy, Gulf of the Farallones, STEMful, Performing Arts Workshop, Learn2Code Live (Whizara)

Exhibit 2: Performance Measures in Proposed Grant Agreement, FY 2024-29

Name	Performance Measure	Target	Notes
Youth Actuals vs. Projections	Number of participants served as a percentage of the program's projected number of participants.	90%+	
Program Quality Assessment (PQA)	Grantee participates in Program Quality Assessment (PQA) process.	Yes	
Social-Emotional Learning (SEL) Trainings	Grantee participates in SEL trainings.	Yes	
Social-Emotional Learning (SEL) Plan	Grantee identifies a plan for incorporating social-emotional learning into their programs and practices.	Yes	
Caring Adult	Percent of surveyed participants or caregivers who report that participants have an adult in the program who understood and really cared about them.	75%+	
Agency Health	Fiscal health of grantee agency based on DCYF's Fiscal and Compliance Monitoring efforts.	Strong	
Individual Learning Plans (ILP)	Percent of participants with completed individual learning plans.	85%+	Only Applies to program #1
Education and Career Goals	Percent of surveyed participants who report that they developed education or career goals and understand the steps needed to achieve their goals as a result of the program.	75%+	Only Applies to program #1
Average Daily Attendance	Average daily attendance as a percentage of the program's projected average daily attendance.	85%+	Only Applies to programs #2-7

Source: Proposed Grant Agreement

Past Performance

An analysis of BACR's programs during Fiscal Year 2022-23 is presented below in Exhibit 3, highlighting their effectiveness and areas for improvement. Since the performance measures were not standardized across all programs, we have summarized the data by consolidating similar categories. According to DCYF, the "Home Away" program had low attendance because the target population, homeless families, are difficult to serve (for example, they may move suddenly). The Paul Revere program's youth took vacations which limited their attendance in the program, according to DCYF. In general, attendance across the programs were close to target however the target number of hours within each program was not consistently met in FY 2022-23. DCYF is no longer tracking hours in the proposed grant agreement (similar to other grants recently awarded) because of the difficulty of properly calculating the target number of hours for each program.

Given the low participation in the “Home Away from Homelessness” program, we recommend DCYF provide an update to the Board of Supervisors by December 2025 on the performance of the program during the 2024-25 school year.

Exhibit 3: FY 2022-23 Performance Measures

Measure	A Home Away From Homelessness	A.P. Giannini Beacon	Bret Harte Beacon	Hoover Beacon	Paul Revere Beacon	Summer Learning	Target
Number of participants served as a percentage of the program’s projected number of participants. (Year Round)	20%	n/a	n/a	n/a	n/a	249%	90%
Number of participants served as a percentage of the number of participants the program was designated to serve. (After School)	n/a	188%	134%	144%	166%	n/a	90%
Number of participants served as a percentage of the program’s projected number of participants. (Summer)	n/a	109%	185%	101%	106%	n/a	90%
Percent of participants who participated in the program for the target number of hours during the summer.	n/a	56%	67%	73%	8%	48%	85%
Percent of participants who participated in the program for the target number of hours during the school year.	50%	31%	66%	71%	41%	n/a	85%
Percent of surveyed participants or caregivers who report that participants have an adult in the program who understood and really cared about them.	No Data Provided	53%	n/a	25%	No Data Provided	No Data Provided	75%
Average daily attendance as a percentage of the program’s projected average daily attendance.	16%	108%	112%	90%	128%	n/a	85%
Average daily attendance as a percentage of the program’s projected average daily attendance. (Summer)	n/a	91%	158%	88%	77%	147%	85%

Source: DCYF

Note: Gray shading indicates result did not meet performance target or no data was provided

Fiscal and Compliance Monitoring

The Department conducted fiscal and compliance monitoring for six of these seven programs (excluding the newly developed "Latino Task Force After School") in March 2024, and no findings were identified.

FISCAL IMPACT

The proposed agreement has a budget $15,278,200 over the five-year term plus a ten percent contingency amount, for a total not to exceed amount of $16,806,000. The funding supports program staffing, subcontractors, materials and supplies, other program expenses, and administrative costs. The grant agreement budget by fiscal year and program is shown in Exhibit 4 below.

Exhibit 4: Grant Agreement Not-to-Exceed Amount

Program	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
A Home Away From Homelessness	$250,000	$257,500	$265,200	$273,200	$281,400	$1,327,300
A.P. Giannini Beacon	$525,000	$540,800	$557,000	$573,700	$590,900	$2,787,400
Bret Harte Beacon	$500,000	$515,000	$530,500	$546,400	$562,800	$2,654,700
Hoover Beacon	$500,000	$515,000	$530,500	$546,400	$562,800	$2,654,700
Paul Revere Beacon	$450,000	$463,500	$477,400	$491,700	$506,500	$2,389,100
Summer Learning	$414,000	$412,000	$424,400	$437,100	$450,200	$2,137,700
Latino Task Force After School	$250,000	$257,500	$265,200	$273,200	$281,400	$1,327,300
Total	**$2,889,000**	**$2,961,300**	**$3,050,200**	**$3,141,700**	**$3,235,000**	**$15,278,200**

Source: Proposed Grant Agreement

According to DCYF, the agreement funds a total of 26.62 full-time equivalent (FTE) adult staff, with 2.33 FTE for A Home Away From Homelessness, 5.20 FTE for A.P. Giannini Beacon, 4.40 FTE for Bret Harte Beacon, 5.70 FTE for Hoover Beacon, 4.08 FTE for Paul Revere Beacon, 4.16 FTE for Summer Learning, and 0.71 FTE for Latino Task Force After School.

Source of Funding

According to DCYF staff, the source of funding will be finalized following approval of the proposed agreement and the proposed budget. The proposed agreement would likely be funded by the General Fund and/or the Children and Youth Fund.

RECOMMENDATIONS

1. Request DCYF provide an update to the Board of Supervisors by December 2025 on the performance of the “A Home Away From Homelessness” program during the 2024-25 school year.
2. Approve the proposed resolution.

Item 9 File 24-1061	Department: Children, Youth and Their Families

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a retroactive grant agreement between the Department of Children, Youth and Their Families (DCYF) and Mission Graduates under the All Children And Youth Are Ready to Learn And Succeed In School Result Area for five schools: (1) Bessie Carmichael Beacon, (2) Everett Middle School Beacon, (3) Flynn Elementary School Beacon, (4) Sanchez Elementary School Beacon, (5) Mission HS/O'Connell HS/June Jordan SE Summar Program.
- Mission Graduates would provide academic support and enrichment activities at four schools as well a summer learning program for 100 youth at one school. The retroactive grant agreement has a five-year term starting July 1, 2024 through June 30, 2029 and a not-to-exceed amount of $10,717,300.

Key Points

- All five programs were previously funded. Performance metrics for FY 2022-23 show that all programs underperformed across several measures. According to DCYF, programs faced challenges with hour completion due to estimation issues, such as not accounting for holiday closures, resulting in inflated targets and lower completion rates. Additionally, high staff turnover during COVID further impacted program performance.
- The Department reports program staffing has improved. In addition, the Department will offer technical assistance and capacity building resources to improve program engagement.

Fiscal Impact

- The proposed agreement has a not-to-exceed amount of $10,717,300, including a ten percent contingency, and a three percent annual increase to the FY 2024-25 annual budget of $1,835,000.
- The agreement funds a total of 14.2 full-time equivalent adult staff. The source of funding will be finalized following approval of the proposed agreement and would likely be funded by the General Fund and/or the Children and Youth 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

Mission Graduates

Mission Graduates is a nonprofit organization in San Francisco that has provided after school, in-school, and summer programs to youth in San Francisco since 1972. Mission Graduates offers a wide variety of services, which include extended day programs, Beacon sites, college access and success programming, career linkages, and parent engagement. According to their website, Mission Graduates has reached over 5,000 low-income children, youth, and families.

Procurement

In August 2023, the Department of Children, Youth, and Their Families (DCYF) issued a Request for Proposals (RFP) for the 2024 through 2029 funding cycle. Mission Graduates submitted proposals for five school programs under the RFP Result Area, "All Children and Youth are Ready to Learn and Succeed in School." According to the RFP, the Result Area is associated with programs, resources, supports, and activities that provide opportunities for youth to learn, gain social-emotional learning (SEL) skills, engage educationally, and have access to needed support for children and youth in pre-kindergarten through 12th grade. The five school programs are (1) Bessie Carmichael Beacon, (2) Everett Middle School Beacon, (3) Flynn Elementary School Beacon, (4) Sanchez Elementary School Beacon, (5) Mission HS/O'Connell HS/June Jordan SE Summar Program. Mission Graduates would provide academic support and enrichment activities at four schools as well a summer learning program for 100 youth at one school.

Mission Graduates currently provide these programs under three five separate agreements, which expired June 30, 2024.[1] The RFP scoring and other procurement information is summarized in Exhibit 1 below. Proposals were evaluated in three phases. In phase one, proposals were evaluated based on four criteria: program overview (25 points), program design (55 points), program impact (10 points), and target population need (10 points), for a total possible score of 100 points. In Phase 2, proposers were evaluated based on strategy alignment, target population, past performance, and agency fiscal rating. In Phase 3, DCYF determined the funding allocations for the non-profit providers.

[1] The agreement for Everett Middle School Beacon is listed under its former name, Mission Community Beacon.

Exhibit 1: Procurement Summary

Program	Bessie Carmichael	Everett Middle School	Flynn Elementary School	Sanchez Elementary School	Mission HS/O'Connell HS/June Jordan SE[2]
Selection Panel	Manager I (DCYF), Executive Projects and Strategic Planning (MTA), Childcare Coordinator (Sacramento County)	Supervisor of Analytics (SFUSD), Principal Administrative Analyst (DCYF), Consultant	Student (UC Berkeley), Senior Supervisor Probation Officer (JDP), Deputy Director III (DCYF)	Community Partnerships Director (CCSF), Division Director (Catholic Charities CYO), Principal Administrative Analyst (DCYF)	Manager I (DCYF), Principal Administrative Analyst (RPD), Legal Assistant (DA).
Total Number of Proposals	28	28	28	28	74
Number of Proposals Awarded Funding	26	26	26	26	41
Average Score (out of 100)	88.63	90.53	85.17	84.27	73.27
Rank out of Total Number of Proposals	8	5	15	20	56

Source: DCYF

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve a new grant agreement between DCYF and the Mission Graduates for five programs: (1) Bessie Carmichael Beacon, (2) Everett Middle School Beacon, (3) Flynn Elementary School Beacon, (4) Sanchez Elementary School Beacon, (5) Mission HS/O'Connell HS/June Jordan SE Summar Program. The retroactive grant agreement has a five-

[2] The Proposal Score Report shows that this proposal was not awarded funding. According to DCYF, this was due to limited resources. However, funding was later restored during the June 2024 budget process, allowing this program to be funded.

year term starting July 1, 2024 through June 30, 2029 and a not-to-exceed amount of $10,717,300. According to DCYF staff, DCYF is seeking approval retroactively due to the delays in the contracting process, resulting from multiple rounds of funding augmentation following budget restorations by the Mayor and Board.

Scope of Services

Bessie Carmichael Beacon

The Beacon at Bessie Carmichael K-8 is a year-round program that provides school day and after school support, summer programming, and parent engagement. Annually, the program serves 255 participants (153 participants ages five to ten and 102 participants ages eleven to thirteen). The program subcontracts with organizations[3] providing various forms of enrichment, including academic support, literacy programming, youth theatre, and other enrichment activities.

Everett Middle School Beacon

The Beacon at Everett Middle School is a year-round program that provides school day and after school support, summer programming, and parent engagement. Annually, the program serves 365 participants (184 participants ages 11 to 13 and 181 participants ages 14 to 17). The program subcontracts with organizations[4] providing various forms of enrichment, including professional development, football, and academic support.

Flynn Elementary School Beacon

The Beacon at Flynn Elementary School is a year-round program that provides school day and after school support, summer programming, and parent engagement. Annually, the program serves 280 participants (230 participants ages five to ten and 50 participants ages 11 to 13). The program subcontracts with organizations[5] providing various forms of enrichment, including leadership development, sports, theater, and academic support.

Sanchez Elementary School Beacon

The Beacon at Sanchez Elementary School is a year-round program that provides school day and after school support, summer programming, and parent engagement. Annually, the program serves 280 participants (260 participants ages five to ten and 20 participants ages 11 to 13). The program subcontracts with organizations[6] providing various forms of enrichment, including academic support and sports.

[3] The subcontracted organizations are: United Playaz Inc, Galing Bata, America SCORES Bay Area, Hokali Inc, Jarret Evans, Community Initiatives / Mission Science Workshop, and San Francisco Youth Theatre.

[4] The subcontracted organizations are: San Francisco Coalition of Essential Small Schools, Good Samaritan Family Resource Center, Bay Area Youth Agency Consortium, Ruben Urbina, Justice Howard, Louis Perez, Tyler West, Steve Harris Jr , Ronnell Clayton, and Kaitlyn Kraybill-Voth.

[5] The subcontracted organizations are: America SCORES Bay Area, Bay Area Youth Agency Consortium, Maya R Martinez, Judy Viertel, The X Kids Club, Girls Leading Girls, and San Francisco Youth Theatre.

[6] The subcontracted organizations are: America SCORES Bay Area, The X Kids Club, Playball San Francisco LLC, Girls on the Run of the Bay Area, Community Initiatives / Mission Science Workshop, Girls Leading Girls, San Francisco Youth Theatre, Mayra Diaz,

Mission HS/O'Connell HS/June Jordan SE Summer Program

Mission Graduates offers year-round college and career services at Mission and John O'Connell High Schools, including assisting students with college and financial aid applications. In addition, the program offers a wide range of clubs that support student leadership and cultural pride. Annually, the program serves 35 participants ages 14 to 17.

Performance

Pursuant to the grant agreement, Bessie Carmichael Beacon, Everett Middle School Beacon, Flynn Elementary School Beacon, Sanchez Elementary School Beacon, and Mission HS/O'Connell HS/June Jordan SE Summar Program are required to report on seven performance measures described in Exhibit 2. Each grantee is required to administer participant surveys or other evaluation instruments to ensure compliance with performance measure targets, per the agreement. The Department will provide a performance improvement plan if a grantee is found to not meet one or more performance standards, which may include participation in technical assistance, performance measure amendment, or other supportive measures.

Exhibit 2: Performance Measures in Proposed Grant Agreement

Timeframe	Name	Performance Measure	Target
FY 2024-29	Youth Actuals vs. Projections	Number of participants served as a percentage of the program's projected number of participants	90%+
FY 2024-29	Program Quality Assessment (PQA)	Grantee participates in Program Quality Assessment (PQA) process*	Yes – participated in PQA Process
FY 2024-25	Social-Emotional Learning (SEL) Plan	Grantee participates in SEL trainings	Yes – participated in trainings
FY 2025-29	Social-Emotional Learning (SEL) Plan	Grantee identifies a plan for incorporating SEL into their programs and practices	Yes – has an SEL plan
FY 2024-29	Average Daily Attendance	Average daily attendance as a percentage of program's projected average daily attendance	85%+
FY 2024-29	Caring Adult	Percent of surveyed participants or caregivers who report that participants have an adult in the program who understood and really cared about them	75%+
FY 2024-29	Agency Health	Fiscal health of grantee agency based on DCYF's Fiscal and Compliance Monitoring efforts	Strong

Source: Grant Agreement, Appendix B-1

*Note: The Youth and School-Aged Program Quality Assessment Tool is a validated instrument that evaluates the quality of youth programs and identifies staff training needs. According to DCYF, the tool has been used in community organizations, schools, camps, and other sites to measure a young person's access to key developmental experiences through a set of scored items that can be used for comparison and assessment of progress over time.

Performance metrics for FY 2022-23 show that most programs underperformed across several measures. As shown by Exhibit 3, Bessie Carmichael has the lowest performance, failing to meet five measures. Everette Middle School failed to meet four measures and both Flynn Elementary School and Sanchez Elementary School failed to meet three measures. John O'Connell College & Career was subject to a slightly different set of five performance measures; it met one measure, failed to meet two, and had two measures unreported. According to DCYF, programs faced challenges with hour completion due to estimation issues, such as not accounting for holiday closures, resulting in inflated targets and lower completion rates. Additionally, high staff turnover during COVID further impacted program performance. According to the Department the programs' staffing has since stabilized. The proposed new grant agreement no longer tracks hours within each program, but does track attendance. In addition, the Department will offer technical assistance and capacity building resources to improve program engagement.

Exhibit 3: FY 2022-23 Performance Measures (Prior Grant Agreement)

Measure	Bessie Carmichael	Flynn ES	Everette MS	Sanchez ES	Target
Number of participants served as a percentage of the program's projected number of participants. (Summer)	38%	91%	83%	87%	85%+
Number of participants served as a percentage of the number of participants the program was designated to serve. (After School)	115%	155%	305%	142%	90%+
Percent of participants who participated in the program for the target number of hours. (Summer)	7%	32%	42%	6%	85%+
Percent of participants who participated in the program for the target number of hours during the school year.	2%	26%	0%	38%	85%+
Average daily attendance as a percentage of the program's projected average daily attendance. (Summer)	29%	69%	59%	63%	85%+
Average daily attendance as a percentage of the program's projected average daily attendance during the school year.	72%	117%	100%	112%	85%+
Percent of surveyed participants or caregivers who report that participants have an adult in the program who understood and really cared about them.	No Data	-	No Data	-	75%

Measure	John O'Connell College & Career	Target
Number of participants served as a percentage of the program's projected number of participants.	96%	90%+
Percent of participants who participated in the program for 126+ hours during the summer.	53%	85%+
Percent of participants who participated in the program for 76+ hours during the school year.	0%	85%+
Percent of surveyed participants who report that an adult in the program understood and really cared about them.	No Data	75%+
Percent of surveyed participants who report developing education or career goals and understanding the steps needed to achieve their goals as a result of the program.	No Data	75%+

Source: DCYF
Note: Gray shading indicates result did not meet performance target.

Fiscal and Compliance Monitoring

The Department conducted fiscal and compliance monitoring for Mission Graduates for FY 2023-24 in April 2024, and no findings were identified.

FISCAL IMPACT

The proposed agreement has a not-to-exceed amount of $10,717,300, including a ten percent contingency. The grant agreement budget, which includes a three percent annual increase, by fiscal year and program is shown in Exhibit 4 below.

Exhibit 4: Grant Agreement Not to Exceed Amount

	Bessie Carmichael	Everett Middle School	Flynn Elementary School	Sanchez Elementary School	Mission HS/O'Connell HS/June Jordan SE	Total
FY 2024-25	$475,000	$475,000	$375,000	$430,000	$80,000	$1,835,000
FY 2025-26	489,300	489,300	386,300	442,900	82,400	1,890,200
FY 2026-27	504,000	504,000	397,900	456,200	84,900	1,947,000
FY 2027-28	519,100	519,100	409,800	469,900	87,400	2,005,300
FY 2028-29	534,700	534,700	422,100	484,000	90,000	2,065,500
Total	2,522,100	2,522,100	1,991,100	2,283,000	424,700	9,743,000
Contingency (10%)	252,210	252,210	199,110	228,300	42,470	974,300
Not-to-Exceed Amount	**$2,774,310**	**$2,774,310**	**$2,190,210**	**$2,511,300**	**$467,170**	**$10,717,300**

Source: Grant Agreement, Appendix B-1, B-2, B-3, B-4, B-5.

The FY 2024-25 budget is approximately $1,835,000 million, as shown in Exhibit 5 below.

Exhibit 5: FY 2024-25 Budget

	Bessie Carmichael	Everett Middle School	Flynn Elementary School	Sanchez Elementary School	Mission HS/O'Connell HS/June Jordan SE	Total	% Total
Administrative	$95,000	$95,000	$75,000	$86,000	$16,000	**$367,000**	20%
Adult Staff	242,627	139,858	148,251	216,767	51,153	**798,656**	44%
Fringe Benefits	62,873	63,927	56,799	75,733	12,847	**272,179**	15%
Materials & Supplies	15,000	19,999	21,250	10,000	-	**66,249**	4%
Other Program Expenses	29,500	28,000	32,200	26,500	-	**116,200**	6%
Subcontractors	30,000	128,216	41,500	15,000	-	**214,716**	12%
Total	**$475,000**	**$475,000**	**$375,000**	**$430,000**	**$ 80,000**	**$1,835,000**	**100%**

Source: DCYF

According to DCYF, the agreement funds a total of 14.2 full-time equivalent (FTE) adult staff, with 4.2 FTE for Bessie Carmichael Beacon, 2.5 FTE for Everett Middle School Beacon, 2.6 FTE for Flynn Elementary School Beacon, 4.1 FTE for Sanchez Elementary School Beacon, and .8 FTE for Mission HS/O'Connell HS/June Jordan SE Summar Program.

Source of Funding

According to DCYF staff, the source of funding will be finalized following approval of the proposed agreement and the proposed budget. The proposed agreement would likely be funded by the General Fund and/or the Children and Youth Fund.

RECOMMENDATION

Approve the proposed resolution.

Item 13 File 24-1059	Department: Public Utilities Commission

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves a Greenhouse Gas-Free (GHG-Free) Energy Contract between the City, acting through the San Francisco Public Utilities Commission (SFPUC) for CleanPowerSF, and Pacific Gas and Electric Company (PG&E) to acquire renewable electricity needed to meet and maintain the City's clean energy targets. The contract amount is not to exceed $8,955,000, with a term of one year from January 1, 2025, through December 31, 2025, including binding arbitration.

Key Points

- CleanPowerSF is a not-for-profit program administered by the SFPUC that supplies renewable energy to over 380,000 customer accounts in San Francisco, aiming to meet the City's goal of supplying 100 percent renewable electricity by 2025.
- To meet ongoing renewable energy needs, the SFPUC submitted a bid to PG&E on July 31, 2024, to purchase GHG-free energy sourced from hydroelectric resources for delivery in 2025. PG&E accepted the bid on August 6, 2024.
- Administrative Code Section 21.43 delegates authority to the SFPUC General Manager to approve contracts with binding arbitration with California Investor-owned Utilities (IOUs), including PG&E, for certain products but not for the proposed contract product type. The contract includes binding arbitration provisions outside the SFPUC General Manager's delegated authority, thus requiring approval from the Board of Supervisors.
- The SFPUC General Manager has waived certain City contract requirements (e.g., prevailing wage, local business enterprise participation) pursuant to Administrative Code Section 21.43.

Fiscal Impact

- The total cost of the contract is not to exceed $8,955,000 for the one-year term, funded entirely by CleanPowerSF customer revenues.
- The price was determined through a competitive bidding process, with the SFPUC proposing a price based on market indices equivalent to GHG-free energy market prices at that time.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

Administrative Code Section 21.43 delegates authority to the San Francisco Public Utilities Commission (SFPUC) General Manager to approve contracts with binding arbitration provisions for Resource Adequacy and/or Renewable Portfolio Standard (RPS) products from California Investor-owned Utilities (IOUs), including PG&E. Contracts with binding arbitration provisions with IOUs for other product types require Board of Supervisors' approval.

BACKGROUND

CleanPowerSF Program

California Public Utilities Code Section 366.2 allows public agencies to bundle the electrical needs of electricity customers within their jurisdiction through Community Choice Aggregation (CCA) programs. On May 18, 2004, pursuant to this law, the City established CleanPowerSF, a not-for-profit organization administered by the San Francisco Public Utilities Commission (SFPUC), that began purchasing and supplying electricity to customers using renewable energy sources like solar, wind, and hydropower on May 1st, 2016.

The program aims to reduce the carbon footprint of electricity use by increasing the scale and cost-effectiveness of renewable energy while giving consumers more control over the sources of their energy mix. Additionally, it helps the City comply with Chapter 9, Section 902, of the City's Environmental Code which outlines emissions reduction targets for San Francisco, including a sustainability goal to supply 100 percent renewable electricity by 2025 and 100 percent renewable energy by 2040.

CleanPowerSF currently provides clean energy to more than 380,000 active customer accounts within San Francisco, with an annual energy requirement of approximately 3,000 gigawatt-hours. To meet and maintain the emission reduction target with these estimated energy needs, CleanPowerSF needs to conduct on-going procurement of renewable energy supplies.

Procurement

On July 31, 2024, the SFPUC submitted a bid into Pacific Gas and Electric Company's (PG&E's) greenhouse gas-free (GHG-free) Energy Sale Solicitation to purchase GHG-free energy for CleanPowerSF for delivery in 2025. On August 6, 2024, PG&E notified the SFPUC that its bid was accepted.

In September 2024, the SFPUC General Manager signed the GHG-free energy contract with PG&E, subject to Board of Supervisors' approval. [1] On October 22, 2024, by Resolution No. 24-0215, the SFPUC approved the contract and authorized the General Manager to seek Board of Supervisors' approval.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves a Greenhouse Gas-Free (GHG-Free) Energy Contract between the City, acting through the SFPUC (for CleanPowerSF), and PG&E to acquire renewable electricity needed to meet and maintain the City's clean energy targets. The contract is for an amount not to exceed $8,955,000, with a term of one year from January 1, 2025, through December 31, 2025, with binding arbitration.

Scope of Work

Under the contract, PG&E will supply CleanPowerSF with GHG-free energy sourced from hydroelectric resources. The sale is governed by the June 2018 Master Power Purchase and Sale Agreement with PG&E (Master Agreement).

Binding Arbitration

The proposed contract includes binding arbitration. Under binding arbitration, a dispute between two parties is decided by a neutral arbitrator rather than in court before a judge or jury, and parties signing a binding arbitration agreement forfeit their rights to go to court or appeal an arbitrator's decision. Binding arbitration is a standard provision in form contracts with investor-owned utilities.

Administrative Code Section 21.43 delegates authority to the SFPUC General Manager to approve contracts with binding arbitration with California Investor-owned Utilities (IOUs) for certain products but not for the proposed contract product type. Since the proposed contract requires binding arbitration provisions outside the General Manager's delegated authority, it requires approval from the Board of Supervisors.

Separately, File 24-1070 is an ordinance pending Board of Supervisors' approval that would expand the type of contracts with binding arbitration that the General Manager could approve without Board of Supervisors' approval. If File 24-1070 is approved, contracts similar to the proposed agreement will not require Board of Supervisors' approval in the future.

[1] PG&E's solicitation required CleanPowerSF to sign the contract before receiving Board of Supervisors' approval. The contract states that it will not be effective until approved by the Board of Supervisors, and if not approved, the City bears no liability.

Waiver of Certain Contract Requirements

The proposed contract does not include certain City contract-related requirements. The General Manager of the SFPUC has waived these requirements pursuant to the waiver authority under San Francisco Administrative Code Section 21.43. The typical City requirements that are not included in the contract include: prevailing wage, local business enterprise participation, non-discrimination, insurance, limitations on contributions to City officers and elected officials, health care accountability, competitive bidding requirements, among others.

Reporting

Under the terms of the contract, PG&E is required to provide CleanPowerSF with non-binding estimates of the energy to be delivered, along with monthly invoices detailing the actual energy supplied. Additionally, PG&E will provide a final report summarizing the energy delivered from each resource within the resource pool.

FISCAL IMPACT

The total cost of the contract is not-to-exceed $8,955,000 for the one-year term. The contract will be funded entirely by CleanPowerSF customer revenues. The price of the contract was determined through a competitive bidding process. SFPUC staff proposed a price based on market indices at the time SFPUC made the bid. The unit cost bid into the solicitation was equivalent to the GHG-free market prices at that time.

CleanPowerSF will pay PG&E the GHG-Free Energy Premium for the actual quantity of GHG-free energy delivered and billed monthly.

RECOMMENDATION

Approve the proposed resolution.