

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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October 28, 2011

TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst
SUBJECT: November 2, 2011 Budget and Finance Committee Meeting

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Item 2
File 11-1103

Department(s):
Recreation and Park Department (RPD)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed ordinance would re-appropriate \$17,080,000 from eight 2008 Clean and Safe Neighborhood Parks General Obligation Bond capital-improvement projects which presently have a short-term surplus and re-appropriate the \$17,080,000 to four other, Clean and Safe Neighborhood Parks General Obligation Bond capital improvement projects.

Key Points

- On February 5, 2008, San Francisco voters approved Proposition A, the 2008 Clean and Safe Neighborhood Parks Bond measure, authorizing the issuance of up to \$185,000,000 in General Obligation Bonds to fund capital improvement projects for its San Francisco's Recreation and Park Department (RPD) facilities as well as for the Port's waterfront facilities.
- To date, the Board of Supervisors has approved the issuance and appropriation of a total of \$102,950,000 from the 2008 Clean and Safe Neighborhood Parks General Obligation Bonds, including \$88,571,622 for the RPD and \$14,378,378 for the Port.
- The Port has a pending third issuance of \$19,121,621 from the 2008 Clean and Safe Neighborhood Parks Bond measure. RPD also anticipates a fourth issuance of General Obligation Bonds in the amount of \$62,928,379 to be sold in March, 2012. Both issuances will be subject to approval by the Board of Supervisors.

Fiscal Analysis

- When the proceeds from a future planned fourth issuance of the 2008 Clean and Safe Neighborhood Parks General Obligation Bonds in the amount of \$62,928,379 are appropriated, subject to Board of Supervisors approval, RPD intends to utilize \$14,070,000 to \$14,580,000 of that pending fourth bond issuance for appropriating back to seven of the eight same RPD capital improvement projects which presently have short-term surpluses.
- The remaining \$2,500,000 to \$3,010,000, of the subject proposed re-appropriation of \$17,080,000 in funds which is requested to be re-appropriated under the proposed ordinance are estimated to remain surplus funds because of anticipated project cost savings. RPD intends to continue to accumulate project savings from the specified voter-approved Neighborhood Parks capital-improvement projects in the Neighborhood Parks Contingency Fund while ensuring that the defined voter-approved Neighborhood Parks capital-improvement projects are completed.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

Charter Section 9.105 requires that amendments to the annual appropriation ordinance be approved by ordinance of the Board of Supervisors, subject to the Controller certifying the availability of funds.

Background

On February 5, 2008, San Francisco voters approved Proposition A, the 2008 Clean and Safe Neighborhood Parks Bond measure, authorizing the issuance of up to \$185,000,000 in General Obligation Bonds to fund a capital plan targeting critical needs in San Francisco's Recreation and Park Department (RPD) facilities as well as for the Port's waterfront facilities. This bond included the following programs, totaling \$185,000,000: \$117,400,000 for seismic work, landscaping, and improved disability access for Neighborhood Parks (including a \$4,715,000 Neighborhood Park Program Contingency Fund)¹, \$33,500,000 for creation of Port Waterfront Parks and repair of seawalls, \$11,400,000 for Park restroom replacement, \$8,500,000 for renovation of Park Playfields, \$5,000,000 for restoration of Park Trails, \$5,000,000 for a Community Opportunity Fund to finance completion of community-nominated Recreation and Park projects, \$4,000,000 for Park Forestry projects, and \$200,000 for a citizen's oversight audit of the program.

In August of 2008, the Board of Supervisors approved the sale of the first 2008 Clean and Safe Neighborhood Parks General Obligation Bonds in the amount of \$42,520,000 (Resolution No. 342-08). On October 21, 2008, the Board of Supervisors appropriated a total of \$38,843,054 to the RPD and \$3,676,946 to the Port from this first Bond sale, or a total of \$40,520,000, to commence capital improvement projects approved by the voters in the Bond (Ordinance 231-08). Of the total \$40,520,000 appropriated², the Board of Supervisors placed \$22,163,200 on reserve, pending RPD and the Port finalizing expenditure plans for these funds.

On February 9, 2010, the Board of Supervisors approved the issuance of an additional \$60,430,000 of General Obligation Bonds (Resolution 45-10). Earlier, as part of the FY 2009-2010 Budget for the RPD and the Port, the Board of Supervisors appropriated a total of \$49,728,568 to the RPD and \$10,701,432 to the Port from the \$60,430,000 future anticipated Bond issuance, but placed all funds on reserve contingent upon the actual sale of these bonds (which then occurred in March of 2010). According to Ms. Cindy Czerwin, Budget Manager in

¹ Prior to the drafting of the 2008 Clean and Safe Neighborhood Parks Bond measure, RPD engaged stakeholders in a year-long evaluation of neighborhood parks in which the needed capital work was scoped and estimated, and each neighborhood park was rated according to agreed-upon criteria. The top 12 criteria rated neighborhood parks were identified in the bond ballot language, including (a) Chinese Recreation Center, (b) Mission Playground, (c) Palega Playground, (d) Cayuga Playground, (e) McCoppin Playground, (f) Sunset Playground, (g) Fulton Playground, (h) Mission Dolores Park, (i) Cabrillo Playground, (j) Glen Canyon Park, (k) Lafayette Park, and (l) Kimbell Playground. The bond ballot language also stated that if there are savings from those 12 park projects, at the time of the award of the construction agreement for the 12th project on the criteria list, the savings would be applied to the next park projects on the criteria ratings list, in order, whose repairs/renovations can be completed with available remaining funds, plus any community matching funds secured and readily available for the project.

² According to Ms. Dawn Kamalanathan, Capital Manager at the RPD, the Board of Supervisors appropriated \$2,000,000 of the first Bond sale in the FY 2008-2009 Annual Appropriation Ordinance approved on July 29, 2008.

the Controller's Office, all funds related to the 2008 Clean and Safe Neighborhood Parks Bond have been released from reserve as of October 24, 2011.

Of the total \$185,000,000 approved by the San Francisco voters, to date, a total of \$102,950,000 of the 2008 Clean and Safe Neighborhood Parks General Obligation Bonds have been sold and the Board of Supervisors has appropriated the entire \$102,950,000, including \$88,571,622 appropriated to the RPD and \$14,378,378 appropriated to the Port.

According to Ms. Taylor Emerson, Analyst for the Capital Planning Division at RPD the Port has recently requested a third issuance for \$19,121,621 from the 2008 Clean and Safe Neighborhood Parks General Obligation Bond measure, which will be subject to Board of Supervisors approval. According to Mr. Anthony Ababon, Bond Associate with the Office of Public Finance, the third issuance's sale date is uncertain but is anticipated to occur by January, 2012. Ms. Emerson advises that RPD also anticipates a fourth and final General Obligation Bond issuance in the amount of \$62,928,379 to be sold in approximately March, 2012, which will also be subject to approval by the Board of Supervisors, resulting in the total issuance of \$185,000,000 of the 2008 Clean and Safe Neighborhood Parks General Obligation Bonds.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would, as shown in Table 1 below, re-appropriate \$17,080,000 of proceeds from eight specific capital improvement projects, funded with 2008 Clean and Safe Neighborhood Parks General Obligation Bonds, which according to Ms. Emerson, are currently projected to have short-term surplus balances. The \$17,080,000 would be re-appropriated for four other 2008 Clean and Safe Neighborhood Parks Bond capital improvement projects as shown in Table 2 below.

Table 1: Funds To Be Re-appropriated, From Eight Projects Having Short-Term Surplus Balances Available at This Time To Four Other Capital Improvement Projects Listed in Table 2 Below

| | Total Currently Appropriated | Short-Term Surplus Funding To Be Re-appropriated | Total Remaining Funding Under Proposed Ordinance |
|---|------------------------------|--|--|
| Chinese Recreation Center ³ | \$14,200,000 | (\$1,510,000) | \$12,690,000 |
| Mission Dolores Park ⁴ | 2,418,400 | (1,480,000) | 938,400 |
| McCoppin Playground ⁵ | 5,300,000 | (1,500,000) | 3,800,000 |
| Glen Canyon Park ⁶ | 1,191,500 | (410,000) | 781,500 |
| Playfields ⁷ | 8,500,000 | (7,700,000) | 800,000 |
| Forestry ⁸ | 3,200,000 | (1,970,000) | 1,230,000 |
| Trails ⁹ | 4,000,000 | (1,910,000) | 2,090,000 |
| Community Opportunity Fund ¹⁰ | 2,000,000 | (600,000) | 1,400,000 |
| Total De-Appropriated Under Proposed Ordinance | \$40,809,900 | (\$17,080,000) | \$23,729,900 |

³ Chinese Recreation Center is currently under construction and is expected to be open to the public in May, 2012. RPD expects to achieve \$1,000,000 to \$1,510,000 in savings on the project, depending on final construction costs.

⁴ Mission Dolores Park is currently in the planning process, which is scheduled to conclude in December, 2011. This project has been delayed in order to assemble a design team that includes a private consultant for planning and outreach and the Department of Public Works completing the necessary design and contract documents. This delay has resulted in a short-term surplus of funds totaling \$1,480,000 which RPD does not anticipate needing until after the Spring of 2012, when the fourth issuance and appropriation of General Obligation Bonds would be available.

⁵ McCoppin Playground was completed and opened to the public on October 22, 2011, with \$1,500,000 in savings.

⁶ Glen Canyon Park had an extended public planning process, which lasted longer than anticipated, such that the project is just entering the design phase now, which is later than originally scheduled. Therefore, there is a short-term surplus of funds totaling \$410,000, which RPD does not anticipate needing until after the spring of 2012 when the fourth issuance and appropriation of General Obligation Bond funds would be available.

⁷ The Playfields project is currently on hold while an Environmental Impact Report (EIR) is conducted, with an estimated completion date of May, 2011. Because completion of an EIR was not originally anticipated, construction on this project is now delayed. Therefore, the project has a short-term surplus of funds totaling \$7,700,000 which RPD does not anticipate needing until after the spring of 2012, when the fourth issuance and appropriation of General Obligation Bonds would be available.

⁸ The Forestry project has been delayed due to contractor delays and has a short-term surplus of funds totaling \$1,970,000 which RPD does not anticipate needing until after the spring of 2012, when the fourth issuance and appropriation of General Obligation Bonds would be available.

⁹ The Trails project is currently underway, with smaller, less complicated trail construction completed and the next set of three trails currently in the design phase. Construction on the second set of three trails is expected to begin in April, 2011, such that the project has a short-term surplus of funds totaling \$1,910,000 which RPD does not anticipate needing until after the spring of 2012, when the fourth issuance and appropriation of General Obligation Bond funds would be available.

¹⁰ The Community Opportunity Fund has had extensive community process delays and therefore has not awarded all the funding it had originally planned and currently has a short-term surplus of funds totaling \$600,000 which RPD does not anticipate needing until after the spring of 2012, when the fourth issuance and appropriation of General Obligation Bonds would be available.

Table 2: Summary of Funds To Be Re-appropriated From Eight Other Projects Listed in Table 1 Above

| Project | Total Currently Appropriated | Funding Re-appropriated under proposed ordinance | Total Appropriated Under Proposed Ordinance |
|---|------------------------------|--|---|
| Palega Playground ¹¹ | \$3,719,800 | \$12,500,000 | \$16,219,800 |
| Fulton Playground ¹² | 1,300,600 | 3,130,000 | 4,430,600 |
| Mission Playground ¹³ | 2,418,400 | 550,000 | 2,968,400 |
| Neighborhood Park Program Contingency ¹⁴ | 2,326,674 | 900,000 | 3,226,674 |
| Total | \$9,765,474 | \$17,080,000 | \$26,845,474 |

FISCAL ANALYSIS

The requested \$17,080,000 would be re-appropriated from eight RPD capital improvement projects, which currently have short-term surplus monies available, as shown in Table 1 above, to four other capital improvement projects shown in Table 2 above. However, when the proceeds from a future planned fourth issuance of the 2008 Clean and Safe Neighborhood Parks General Obligation Bonds, in the amount of \$62,928,379, are appropriated, subject to Board of Supervisors approval, Ms. Emerson advises that, as shown in Table 3 below, RPD intends to utilize \$14,070,000 to \$14,580,000 of the pending the fourth bond issuance totaling \$62,928,379 for appropriations back to seven out of the eight same RPD capital improvement projects, identified in Table 1 above. While seven capital improvement projects have short term surpluses which are not needed at this time, RPD estimates a future need of \$14,070,000 to \$14,580,000 for re-appropriation back to seven of the eight projects listed in Table 3 below.

¹¹ The Palega Playground project staff is preparing the construction documents, with the bids to be issued on October 27, 2011, with a contract award anticipated by the end of December, 2011. The proposed re-appropriation of \$12,500,000 would be used to fund the contract award, once an agreement is finalized.

¹² The construction bids for the Fulton Playground project were issued on July 25, 2011 and received on August 24, 2011. On October 5 2011, the Recreation and Park Commission authorized the General Manager of RPD to negotiate with CLW Builders, Inc, the sole responsive bidder, such that construction is anticipated to begin on December 2, 2011. The \$3,130,000 would be used to fund the contract award, once the agreement is finalized.

¹³ The Mission Playground project has encountered significant unforeseen site conditions, mostly related to the pool on its grounds and water damage to the building's foundation. An additional \$550,000 is estimated to be needed to provide chemical grouting for soil improvement beneath the Mission Clubhouse and Pool Buildings.

¹⁴ According to Ms. Emerson, RPD is requesting that \$900,000 be re-appropriated to the Neighborhood Park Program Contingency, to allow for flexibility in funding as needed for the specified neighborhood park projects. According to the 2008 Clean and Safe Neighborhood Parks Bond Report, any Neighborhood Park projects that require less funding than the amount set aside in the bond or acquire additional revenue from other sources shall move any surplus funds to the Neighborhood Parks Program Contingency Fund. Any remaining funds in the Neighborhood Parks Program Contingency Fund at the time of the award of the construction agreement for the 12th project on the criteria list will be made available to the next highest scoring project or projects that can be completed with available remaining funds, plus any community matching funds secured and readily available for those projects. The current balance in the Neighborhood Parks Program Contingency Fund is \$2,275,829, with \$0 having been expended to date.

| Table 3: Estimated Range of Funding From the Pending Fourth Bond Issuance Totaling \$62,928,379 that Would Need to be Appropriated Back to Seven of the Eight Projects Listed in Table 1 Above | | |
|---|---------------------|---------------------|
| | Low | High |
| Chinese Recreation Center | \$0 | \$510,000 |
| Mission Dolores Park | 1,480,000 | 1,480,000 |
| Glen Canyon Park | 410,000 | 410,000 |
| Playfields | 7,700,000 | 7,700,000 |
| Forestry | 1,970,000 | 1,970,000 |
| Trails | 1,910,000 | 1,910,000 |
| Community Opportunity Fund | 600,000 | 600,000 |
| Total | \$14,070,000 | \$14,580,000 |

The remaining \$2,500,000 to \$3,010,000 of the subject proposed re-appropriation of \$17,080,000 is estimated to remain surplus funds because of anticipated project cost savings and would be available for other RPD park capital improvement projects, included in the 2008 Clean and Safe Neighborhood Parks General Obligation Bond, which have additional funding needs.¹⁵ According to Ms. Emerson, RPD's intention is to accumulate any savings from the defined voter-approved Neighborhood Parks capital-improvement projects in the Neighborhood Parks Program Contingency Fund while ensuring that the defined voter-approved Neighborhood Parks capital-improvement projects are completed. Ms. Emerson advises that RPD plans to revisit the scope and budget of the other capital-improvement projects on RPD's criteria ratings list to assess what remaining savings can be applied to those capital-improvement projects after the first 12 construction agreements have been awarded. In accordance with the 2008 Clean and Safe Neighborhood Parks General Obligation Bond measure, those savings would be used to fund RPD park capital improvement projects with the next highest score on the criteria ratings list whose repairs/renovations can be completed with available remaining funds, plus any community matching funds secured and readily available for that project. According to the 2008 Clean and Safe Neighborhood Parks Bond Report, the next five parks on the criteria list are (1) Allyn Park, (2) Midtown Terrace Playground, (3) Balboa Park and Pool, (4) Richmond Playground, and (5) Willie Wong Playground. All 12 projects' construction agreements are estimated to be awarded by October, 2012.

Therefore, the proposed ordinance would continue to adhere to the bond measure language as approved by San Francisco voters in the 2008 Clean and Safe Neighborhood Parks Bond measure.

¹⁵ \$1,000,000 to \$1,510,000 in project savings from the Chinese Recreation Center project is anticipated upon completion of the project in May, 2012. An additional \$1,500,000 in project savings from the McCoppin Playground, which re-opened on October 22, 2011, will not be needed.

RECOMMENDATION

Approve the proposed ordinance.

| | |
|--|---|
| Items 3 and 4 Files 11-1031 and 11-1159 | Department: Public Utilities Commission (PUC) |
| EXECUTIVE SUMMARY | |
| <p style="text-align: center;">Legislative Objectives</p> | |
| <p><u>File 11-1031</u>: The proposed supplemental appropriation ordinance would (a) reappropriate \$304,120,801 from existing Water System Improvement Program (WSIP) project budgets, appropriating \$159,661,152 to increase five WSIP project region budgets and appropriating \$144,459,649 to a new WSIP Program-wide Reserve Fund, (b) authorize the PUC to move any future WSIP project savings to the WSIP Program-wide Reserve Fund, (c) place \$215,338,107 as well as all future WSIP project savings on Budget and Finance Committee Reserve, and (d) release \$249,562,922 in WSIP project funding, including \$27,283,174 in funding for the Calaveras Dam replacement project, from existing Budget and Finance Committee reserves.</p> | |
| <p><u>File 11-1159</u>: The PUC has requested the release of \$27,283,174 currently on Budget and Finance Committee reserve to fund the construction of the Calaveras Dam replacement project.</p> | |
| <p style="text-align: center;">Key Points</p> | |
| <ul style="list-style-type: none"> • The Budget and Finance Committee previously considered this proposed subject supplemental appropriation ordinance (File 11-1031) on September 28, 2011, at which time the ordinance was continued to the call of the Chair. • The PUC has revised the previously considered ordinance (File 11-1031). Such revisions include (a) a reduction in the requested reappropriation from \$314,092,249, to \$304,120,801; (b) a reduction in the proposed WSIP Program-wide Reserve Fund from \$161,431,097 to \$144,459,649; (c) replacement of a request to place \$227,779,748 on Controller's reserve with a request to instead place \$215,338,107 and all future WSIP project savings on Budget and Finance Committee reserve; and (d) a request to release \$249,562,922 of the \$484,864,052 which are currently on Budget and Finance Committee reserve, including the \$27,283,174 for the Calaveras Dam replacement project that is also being separately requested for release from Budget and Finance Committee reserves (File 11-1159). | |
| <p style="text-align: center;">Fiscal Impacts</p> | |
| <ul style="list-style-type: none"> • The proposed supplemental appropriation (File 11-1031) does not increase the total estimated \$4,113,856,261 WSIP project costs. Instead, the PUC would reappropriate \$304,120,801 from six WSIP project regions with budget surpluses including (a) \$159,661,152 for five WSIP project regions and (b) \$144,459,649 for a new WSIP Program-wide Reserve Fund. • Under the proposed ordinance (File 11-1031), the \$144,459,649 for the new WSIP Program-wide Reserve Fund would be placed on Budget and Finance Committee Reserve and would only be released after the PUC submits detailed expenditure requests to the Budget and Finance Committee. Additional future additions to the WSIP Program-Wide Reserve fund would come from any savings at closeout of WSIP projects. All expenditures from the WSIP Program-wide Reserve Fund would be subject to Budget and Finance Committee release from Reserve. | |
| <p style="text-align: center;">Recommendations</p> | |
| <p>Approve the proposed ordinance (File 11-1031) and requested release of reserves (File 11-1159).</p> | |

MANDATE STATEMENT AND BACKGROUND

Mandate Statement

File 11-1031: In accordance with City Charter Section 9.105, amendments to the annual appropriation ordinance are subject to approval by the Board of Supervisors, by ordinance, and are subject to the Controller certifying the availability of funds.

File 11-1159: In accordance with Section 3.3 of the City's Administrative Code, the committee of the Board of Supervisors that has jurisdiction over the budget (i.e., Budget and Finance Committee) may place requested expenditures on reserve until released by the Budget and Finance Committee of the Board of Supervisors.

Background

The San Francisco Public Utilities Commission (PUC)'s Water System Improvement Program (WSIP) consists of 86 projects organized into 11 project regions to repair, replace, and seismically upgrade the Hetch Hetchy water system's aging pipelines, tunnels, pumps, tanks, reservoirs and dams. PUC commenced the WSIP in FY 2002-2003 and is scheduled to complete all projects by the end of July 2016. The approved WSIP project budget is \$4,113,856,261. WSIP is funded with PUC Water Revenue Bonds, which will be repaid from water rate revenues paid by PUC water customers.

The PUC has approved a revised WSIP budget request, (a) increasing the budgets of five WSIP project regions; (b) reducing the budgets of six WSIP projects; and (c) creating a new WSIP Program-wide Reserve Fund. These budget revisions resulted in no net change to the overall WSIP program budget of \$4,113,856,261.

According to PUC General Manager Mr. Ed Harrington, the proposed WSIP project budget re-appropriations are necessary in order to:

- Incorporate the latest project schedule and cost forecasts based on the most recent information available, including the status of change orders, trends, risks and contingencies reported by the various construction management (CM) teams;
- Incorporate the latest scope changes and refinements approved by the WSIP Change Management Board and WSIP Director;
- Incorporate the recent construction bids and the near-term effects of the economic recession into construction cost estimates;
- Provide more realistic project baselines for performance measurements;
- Consolidate project cost savings accumulated to date in a Program Management Reserve; and
- Ensure compliance with the California Water Code.¹

The PUC is now seeking Board of Supervisors approval of these WSIP budget re-appropriations.

¹ Report to the California Seismic Safety Commission and the California Department of Public Health, Sept. 1, 2011

Previously Reserved Funds

There are existing Budget and Finance Committee Reserves on various WSIP project funds totaling \$484,864,052, as shown in Table 1 below. The \$484,864,052 was placed on Budget and Finance Committee reserve for those WSIP projects exceeding \$100 million, pending review and release by the Budget and Finance Committee (File 10-0337).

The Board of Supervisors Budget and Finance Committee originally considered the proposed ordinance (File 11-1031) on September 28, 2011, at which time the Budget and Finance Committee continued the ordinance to the Call of the Chair. The PUC has submitted revisions to the original ordinance. The Budget and Legislative Analyst's report is based on the revised subject ordinance.

On the advice of the City Attorney's Office, the PUC submitted a separate request for release of \$27,283,174 on Budget and Finance Committee reserve (File 11-1159). It should be noted that this requested release of \$27,283,174 is also part of File 11-1031 under the requested release of \$249,562,922 from Budget and Finance Committee reserve.

DETAILS OF PROPOSED LEGISLATION**File 11-1031**

The Public Utilities Commission (PUC) is requesting the proposed supplemental appropriation ordinance to reappropriate the budget for the PUC's Water System Improvement Program (WSIP) to reflect the most current estimates for each project region and to provide a WSIP Program-wide Reserve Fund to allow for future potential project budget increases. Under the proposed ordinance, \$304,120,801 of the previously appropriated \$4,113,856,261 in total WSIP project costs would be reappropriated in order to (a) reduce the project budgets in six of the 11 WSIP project regions having surplus monies for a total reduced cost of \$304,120,801; (b) increase the project budgets in five of the 11 WSIP project regions for a total increased cost of \$159,661,152; (c) create a new \$144,459,649 WSIP Program-wide Reserve Fund, (d) place this \$215,338,107 and all future WSIP project savings on Budget and Finance Committee Reserve; and (e) release \$249,562,922 of the \$484,864,052 which are currently on Budget and Finance Committee reserve. (see Table 1 below).

Decreased Costs for Six WSIP Project Regions Having Surplus Monies

Under the proposed ordinance, six of the eleven WSIP project region's budgets would be reappropriated from surplus monies totaling \$304,120,801 as detailed in Attachment I to this report.

Increased Costs for Five WSIP Project Regions

Under the proposed ordinance, the budgets for the remaining five of the eleven WSIP project regions have an estimated deficit of \$159,661,152, as detailed in Attachment II to this report. Such increased costs are due to delays in the completion of the WSIP by approximately eight months, from December 2015 to July 2016, as well as construction and scope changes in various

projects. Attachment II provides a project-by-project breakdown of the five WSIP project regions subject to the proposed project budget increases totaling \$159,661,152.

New WSIP Program-wide Reserve Fund

The PUC is also requesting an appropriation of \$144,459,649 (total reappropriation of \$304,120,801 less \$159,661,152 for cost increases to other WSIP project regions) for a newly created WSIP Program-wide Reserve Fund. The \$144,459,149 placed in this new WSIP Program-wide Reserve Fund, as well as any future additional monies added to this WSIP Program-wide Reserve Fund, would be placed on Budget and Finance Committee reserve. All requested expenditures for this Fund would be released only after the PUC submits detailed expenditure requests to the Budget and Finance Committee.

According to Mr. Surinderjeet Bajwa, PUC Project Management Bureau Manager and WSIP Deputy Director for Pre-Construction, the WSIP Program-wide Reserve Fund would be the future source of funds for any WSIP project costs that exceed the June 2011 Revised WSIP project budgets, that are reflected in the proposed request.

Under the proposed ordinance, the funding level of the proposed WSIP Program-wide Reserve Fund could be increased by the PUC, above the requested \$144,459,649, if (a) the value of construction contracts awarded in the future is less than the budget allocated for the work, or (b) a WSIP project is completed with surplus funds remaining in the project. However, because all of the funds in the newly created WSIP Program-wide Reserve Fund would be placed on Budget and Finance Committee Reserve, the expenditure of all monies from the WSIP Program-wide Reserve Fund would be subject to release by the Budget and Finance Committee, subject to the PUC submitting detailed budget requests to the Budget and Finance Committee.

According to Ms. Julie Labonte, PUC WSIP Director, under the proposed WSIP budget reappropriation, each WSIP project budget includes a ten percent construction contingency. Ms. Labonte advises that the proposed Program-wide Reserve Fund would be available to potentially fund all increased costs above this budgeted ten percent construction contingency. Under the proposed ordinance, the PUC would make requests for release of reserves from the WSIP Program-wide Reserve Fund in concert with the PUC's quarterly reports to the Board of Supervisors Budget and Finance Committee.

Additional Budget and Finance Committee Reserved Funds

As shown in Table 1 below, there is currently \$484,864,052 previously placed on reserve by the Budget and Finance Committee. Under the proposed ordinance, the PUC is requesting the release of \$249,562,922 from the previously reserved funds of \$484,864,052 for the first four projects listed in the second column of Table 1. This \$249,562,922 release request includes \$27,283,174 for the Calaveras Dam replacement project that is also being separately requested for release from Budget and Finance Committee reserve (File 11-1159). In addition, under the proposed ordinance, an additional \$215,338,107 in existing WSIP funds would be placed on Budget and Finance Committee Reserve for three projects, including (a) \$41,659,458 for the Habitat Reserve Program, (b) \$29,219,000 for the San Francisco Recycled Water Project, and (c)

\$144,459,649 for the proposed newly created WSIP Program-wide Reserve Fund as shown in the second column of Table 1 below. Therefore, under the proposed ordinance, the new Budget and Finance Committee Reserve would be \$450,639,237, (\$484,864,052 less \$249,562,922 plus \$215,338,107) as shown in Table 1.

Table 1. WSIP Projects on Budget and Finance Committee Reserve

| Project | Existing Budget and Finance Committee Reserves | Proposed Release of Reserve Changes | New Budget and Finance Committee Reserve |
|---------------------------------------|---|--|---|
| San Joaquin Pipeline System | \$94,148,737 | (\$94,148,737) | \$0 |
| Calaveras Dam Replacement* | 54,112,380 | (27,283,174)* | 26,829,206 |
| HTWTP Long Term Improvements | 94,201,709 | (94,201,709) | 0 |
| Crystal Springs/San Andreas Upgrade | 33,929,302 | (33,929,302) | 0 |
| Subtotal: Release of Reserves | \$276,392,128 | (\$249,562,922) | \$26,829,206 |
| Alameda Creek Fishery Enhancement | \$15,314,352 | \$0 | \$15,314,352 |
| Peninsula Pipeline Seismic Upgrade | 10,242,545 | 0 | 10,242,545 |
| Regional Groundwater Storage/Recovery | 33,490,259 | 0 | 33,490,259 |
| Program Management Services - WSIP | 34,897,331 | 0 | 34,897,331 |
| Lake Merced Water Level Restoration | 22,919,437 | 0 | 22,919,437 |
| Subtotal: No Change | \$116,863,924 | \$0 | \$116,863,924 |
| Recycled Water Project San Francisco | \$91,608,000 | \$29,219,000 | \$120,827,000 |
| Habitat Reserve Program | 0 | 41,659,458 | 41,659,458 |
| WSIP Program-Wide Reserve | 0 | 144,459,649 | 144,459,649 |
| Subtotal: Additional Reserves | \$91,608,000 | \$215,338,107 | \$306,946,107 |
| Total WSIP Projects | \$484,864,052 | (\$34,224,815) | \$450,639,237 |

* Release of \$27,283,174 in Budget and Finance Committee reserves for the Calaveras Dam Replacement is being requested in both the supplemental appropriation ordinance (File 11-1031) and the request for release of reserves (File 11-1159). As noted in Table 1 above, the \$27,283,174 is part of the requested release of \$249,562,922.

File 11-1159

The PUC has requested the release of \$27,283,174 currently on Budget and Finance Committee reserve to fund the construction of the Calaveras Dam replacement project. Section 7 of the proposed supplemental appropriation ordinance (File 11-1031) also includes language requesting the release of the subject \$27,283,174 for the Calaveras Dam replacement project, and the requested release is included in the “Additional Budget and Finance Committee Reserved Funds” section above, as well as in the second column of Table 1 above, for a total requested release of \$249,562,922.

FISCAL IMPACTS

The six WSIP project regions with net surpluses totaling \$304,120,801 that are proposed for reappropriation are summarized in Table 2, below. Attachment I provides a project-by-project breakdown for each of these six WSIP regions.

Table 2: WSIP Project Regions Having Surplus Monies Proposed for Reappropriation

| WSIP Project Region | Source Amount |
|--|----------------------|
| Peninsula Water System Improvement Projects | \$120,871,714 |
| Bay Division Water System Improvement Projects | 79,279,915 |
| San Joaquin Water System Improvement Projects | 93,435,512 |
| San Francisco Local Pump Station/Tanks | 6,241,042 |
| San Francisco Local Pipeline/Valves | 3,874,758 |
| San Francisco Local Miscellaneous | 417,860 |
| Total | \$304,120,801 |

Source: PUC

Under the proposed ordinance, the PUC would reappropriate \$304,120,801 in surplus monies from six WSIP project regions, as shown in Table 2 above, including \$159,661,152 appropriated for five WSIP project regions that have estimated deficits, and \$144,459,649 appropriated for a new WSIP Program-wide Reserve Fund, as shown in Table 2 above and Table 3 below.

As shown in Table 3 below, \$144,459,649 would be appropriated for the new WSIP Program-wide Reserve Fund and \$159,661,152 would be appropriated for five WSIP project regions that have estimated deficits.

Table 3: Uses of Reappropriated Funds

| Uses | Use Amount |
|--|----------------------|
| New WSIP Program-wide Reserve Fund | \$144,459,649 |
| WSIP Project Regions | |
| System Wide Region | \$64,187,685 |
| Water Supply Projects | 50,224,424 |
| San Francisco Regional Water System Projects | 33,758,840 |
| Sunol Valley Water System Improvement Projects | 9,080,414 |
| San Francisco Local Reservoirs | 2,409,789 |
| <i>WSIP Project Regions Subtotal (see Attachment II)</i> | <i>159,661,152</i> |
| Total | \$304,120,801 |

Source: PUC

POLICY CONSIDERATION**The Proposed Revised Ordinance Meets the Policy Concerns
Previously Raised by the Budget and Legislative Analyst in the
September 28, 2011 Report to the Budget and Finance Committee**

The concerns previously reported by the Budget and Legislative Analyst have been addressed under the proposed revised ordinance in that under the ordinance previously considered by the Budget and Finance Committee, monies expended from the WSIP Program-wide Reserve Fund would not have been subject to release by the Budget and Finance Committee of the Board of Supervisors. Under this proposed ordinance (File 11-1031), all expenditures from the WSIP Program-wide Reserve Fund would be subject to release by the Budget and Finance Committee.

RECOMMENDATIONS

Approve the proposed ordinance (File 11-1031) and requested release of reserves (File 11-1159).

WSIP Budget Summary as of 8/1/2011

ATTACHMENT I

| REGION | | WSIP | Requested |
|---|-----------------------------|------------------------------------|------------------------------------|
| Project | June 2009 Adopted Budget | Commission Budget, June 2011 | Appropriation (Deappropriation) |
| PENINSULA WATER SYSTEM IMPROVEMENT PROJECTS | 894,784,082 | 773,912,365 | (120,871,717) |
| CUW354 LOWER CRYSTAL SPRINGS DAM IMPROVEMENTS | 36,253,097 | 33,510,000 | (2,743,097) |
| CUW356 NEW CRYSTAL SPRINGS BYPASS TUNNEL | 94,608,996 | 86,444,995 | (8,164,001) |
| CUW357 ADIT LEAK REPAIRS (CS/CALV RES) | 2,792,885 | 2,787,322 | (5,563) |
| CUW361 PULGAS BALANCING RESERVOIR REHAB | 34,099,826 | 32,322,576 | (1,777,250) |
| CUW365 CROSS CONNECTION CONTROLS | 3,802,674 | 3,965,943 | 163,269 |
| CUW366 HTWTP SHORT TERM IMPROVEMENTS PH A | 24,038,226 | 23,096,308 | (941,918) |
| CUW36701 HTWTP LONG TERM IMPROVEMENTS | 359,063,409 | 279,153,369 | (79,910,040) |
| CUW36702 PENINSULA PIPELINE SEISMIC UPGRADE | 15,000,000 | 30,616,959 | 15,616,959 |
| CUW369 CAPUCHINO VALVE LOT CAPACITY IMPROVEMENT | 2,818,378 | 2,803,153 | (15,225) |
| CUW371 CRYSTAL SPRINGS/SAN ANDREAS UPGRADE | 192,070,722 | 164,722,000 | (27,348,722) |
| CUW378 CRYSTAL SPRINGS PL #2 REPLACE (IN CITY) | 71,243,333 | 57,469,321 | (13,774,012) |
| CUW379 SAN ANDREAS #3 PIPELINE INSTALLATION | 31,903,033 | 29,910,051 | (1,992,982) |
| CUW391 BADEN AND SAN PEDRO VALVE LOT | 27,089,503 | 27,110,368 | 20,865 |
| BAY DIVISION WATER SYSTEM IMPROVEMENT PROJECTS | 785,113,675 | 705,833,760 | (79,279,915) |
| CUW353 SEISMIC UPGRADE BDPL @ HAYWARD FAULT | 112,924,498 | 119,214,369 | 6,289,871 |
| CUW363 INSTALLATION OF SCADA SYSTEM PH II | 27,612,864 | 10,420,832 | (17,192,032) |
| CUW368 BDPL HYDRAULIC RELIABILITY UPGRADE | 600,174,492 | 531,418,649 | (68,755,843) |
| CUW380 BDPL NO 3&4 CROSS CONNECTION | 33,944,441 | 33,253,264 | (691,177) |
| CUW389 EBMUD INTERTIE | 8,429,072 | 9,559,755 | 1,130,683 |
| CUW393 BDPL#4 CONDITION ASSESSMENT PCCP SECTION | 2,028,308 | 1,966,891 | (61,417) |
| SAN JOAQUIN WATER SYSTEM IMPROVEMENT PROJECTS | 430,052,456 | 523,487,968 | (93,435,512) |
| CUW364 LAWRENCE LIVERMORE SUPPLY IMPROVEMENTS | 3,900,231 | 4,205,166 | 304,935 |
| CUW373 SAN JOAQUIN PIPELINE SYSTEM | 309,907,722 | 219,647,267 | (90,260,455) |
| CUW384 TESLA TREATMENT FACILITY | 114,162,348 | 110,683,233 | (3,479,115) |
| CUW387 TESLA PORTAL DISINFECTION STATION | 2,082,155 | 2,081,278 | (877) |
| SAN FRANCISCO LOCAL PUMP STATION/TANKS | 167,437,689 | 161,196,647 | (6,241,042) |
| CUW306 CROCKER AMAZON PUMP STATION UPGRADE | 4,126,498 | 4,126,498 | 0 |
| CUW309 LAKE MERCED PUMP STATION UPGRADE | 49,340,000 | 47,292,400 | (2,047,600) |
| CUW314 LA GRANDE TANK REHAB/SEISMIC UPGRADE | 6,987,728 | 6,987,728 | 0 |
| CUW318 FOREST HILL TANK REHAB/SEISMIC UPGRADE | 2,936,199 | 2,936,199 | 0 |
| CUW320 FOREST HILL PUMP STATION UPGRADE | 7,200,000 | 7,583,000 | 383,000 |
| CUW321 FOREST KNOLLS PUMP STATION UPGRADE | 6,395,000 | 6,245,000 | (150,000) |
| CUW322 LINCOLN PARK PUMP STATION UPGRADE | 4,341,621 | 4,345,215 | 3,594 |
| CUW323 MCLAREN PARK PUMP STATION UPGRADE | 29,352,400 | 29,210,000 | (142,400) |
| CUW324 MOUNT DAVIDSON PUMP STATION UPGRADE | 4,573,500 | 4,578,500 | 5,000 |
| CUW325 PALO ALTO PUMP STATION UPGRADE | 6,484,000 | 6,254,000 | (230,000) |
| CUW326 SKY VIEW/AQUA VISTA PUMP ST UPGRADES | 4,920,000 | 4,751,094 | (168,906) |
| CUW327 SUMMIT PUMP STATION UPGRADE | 6,531,105 | 6,546,113 | 15,008 |
| CUW328 MCLAREN #1 TANK REHAB/SEISMIC UPGRADE | 4,684,430 | 4,659,910 | (24,520) |
| CUW329 POTRERO HEIGHTS TANK REHAB/UPGRADE | 1,084,863 | 1,084,863 | 0 |
| CUW330 FOREST KNOLLS TANK REHAB/UPGRADE | 3,675,000 | 3,575,000 | (100,000) |
| CUW331 LINCOLN PARK TANK REHAB/SEISMIC UPGRADE | 2,690,656 | 2,690,656 | 0 |
| CUW332 MCLAREN #2 TANK REHAB/SEISMIC UPGRADE | 4,459,119 | 4,458,201 | (918) |
| CUW333 MOUNT DAVIDSON TANK REHAB/UPGRADE | 2,894,000 | 2,829,000 | (65,000) |
| CUW338 LE GRANDE PUMP STATION UPGRADE | 7,205,000 | 5,225,000 | (1,980,000) |
| CUW339 POTRERO HEIGHTS PUMP STATION UPGRADE | 605,670 | 605,670 | 0 |
| CUW340 VISTA FRANCISCO PUMP STATION UPGRADE | 6,950,900 | 5,212,600 | (1,738,300) |
| CUW340 SF LOCAL PUMP STATIONS/TANKS | 0 | 0 | 0 |
| SAN FRANCISCO LOCAL PIPELINE/VALVES | 85,458,489 | 81,583,731 | (3,874,758) |
| CUW304 NORTH UNIVERSITY MOUND SYSTEM UPGRADE | 12,850,000 | 11,450,000 | (1,400,000) |
| CUW308 KEY MOTORIZED/OTHER CRITICAL VALVES | 10,984,746 | 10,984,746 | 0 |
| CUW311 SUNSET CIRCULATION IMPROVEMENTS | 6,983,984 | 7,073,054 | 89,070 |
| CUW312 LINCOLN WAY TRANSMISSION LINE | 13,950,000 | 13,950,000 | 0 |
| CUW313 NOE VALLEY TRANSMISSION MAIN PH2 | 7,382,000 | 5,657,000 | (1,725,000) |
| CUW316 EAST WEST TRANSMISSION MAIN | 28,600,000 | 27,755,000 | (845,000) |
| CUW316 FULTON@6TH 30" MAIN REPLACEMENT | 4,707,759 | 4,713,931 | 6,172 |
| CUW316 SF LOCAL PIPELINES VALVES | 0 | 0 | 0 |
| SAN FRANCISCO LOCAL MISCELLANEOUS | 6,136,876 | 5,719,016 | (417,860) |
| CUW303 VEHICLE SERVICE & FACILITY UPGRADE | 4,461,400 | 4,043,540 | (417,860) |
| CUW305 FIRE PROTECTION AT CDD | 1,675,476 | 1,675,476 | 0 |
| TOTAL | \$2,368,983,267 | \$2,251,733,467 | (\$304,120,804) |

WSIP Budget Summary as of 8/1/2011

| REGION Project | WSIP | | |
|---|-----------------------------|------------------------------------|---|
| | June 2009 Adopted Budget | Commission Budget, June 2011 | Requested Appropriation (Deappropriation) |
| SYSTEM WIDE REGION | \$189,757,910 | \$253,945,595 | \$64,187,685 |
| CUW36302 SYSTEM SECURITY UPGRADE | 0 | 16,667,553 | 16,667,553 |
| CUW388 01 ENVIRONMENTAL IMPACT PROJECT (PEIR) | 11,086,441 | 10,730,307 | (356,134) |
| CUW388 02 HABITAT RESERVE PROGRAM | 48,146,219 | 89,805,677 | 41,659,458 |
| CUW392 PROGRAM MANAGEMENT SERVICES - WSIP | 110,525,250 | 116,742,058 | 6,216,808 |
| CUW394 WATERSHED ENVIRONMENTAL IMPROVEMENTS | 20,000,000 | 20,000,000 | 0 |
| WATER SUPPLY PROJECTS | 231,088,110 | 281,312,534 | 50,224,424 |
| CUW30101 LAKE MERCED WATER LEVEL RESTORATION | 32,667,508 | 32,667,508 | 0 |
| CUW30102 SAN FRANCISCO GROUNDWATER SUPPLY | 38,700,004 | 61,557,004 | 22,857,000 |
| CUW30201 RECYCLED WATER PROJECT SAN FRANCISCO | 125,922,889 | 155,141,889 | 29,219,000 |
| CUW30202 RECYCLED WATER PROJECT PACIFICA (Closed) | 348,207 | 0 | (348,207) |
| CUW30204 HARDING PARK RECYCLED WATER | 9,611,818 | 9,046,133 | (565,685) |
| CUW30205 SAN FRANCISCO EASTSIDE RECYCLED WATER | 22,900,000 | 22,900,000 | 0 |
| CUW390 SF BAY AREA DESALINATION PLANT | 937,684 | 0 | (937,684) |
| SAN FRANCISCO REGIONAL WATER SYSTEM PROJECTS | 160,330,360 | 194,089,200 | 33,758,840 |
| CUW30103 REGIONAL GROUNDWATER STORAGE/RECOVERY | 49,848,731 | 85,291,731 | 35,443,000 |
| CUW358 SUNSET RES - UPGRADE/REHAB NORTH BASIN | 64,334,929 | 64,374,385 | 39,456 |
| CUW372 U MOUND RES - UPGRADE (NORTH BASIN) | 46,146,700 | 44,423,084 | (1,723,616) |
| SAN FRANCISCO LOCAL RESERVOIRS | 109,708,947 | 112,118,736 | 2,409,789 |
| CUW307 SUMMIT RES REHAB/SEISMIC UPGRADE | 13,050,000 | 13,050,000 | 0 |
| CUW319 HUNTERS POINT RES REHAB/SEISMIC UPGRADE | 8,925,000 | 3,597,000 | (5,328,000) |
| CUW334 STANFORD HEIGHTS RES REHAB/UPGRADE | 24,110,000 | 23,635,000 | (475,000) |
| CUW335 POTRERO HEIGHTS RES REHAB/UPGRADE | 6,838,947 | 6,836,736 | (2,211) |
| CUW337 SUTRO RES - REHAB/SEISMIC UPGRADE | 56,785,000 | 65,000,000 | 8,215,000 |
| SUNOL VALLEY WATER SYSTEM IMPROVEMENT PROJECTS | 1,053,987,687 | 1,056,068,081 | 9,080,414 |
| CUW352 ALAMEDA CREEK FISHERY ENHANCEMENT | 21,855,361 | 45,746,807 | 23,891,446 |
| CUW355 STANDBY POWER FAC VARIOUS LOCATIONS | 13,110,232 | 12,947,780 | (162,452) |
| CUW359 IRVINGTON TUNNEL ALTERNATIVES | 398,585,442 | 375,070,477 | (20,714,965) |
| CUW370 PIPELINE REPAIR & READINESS IMPROVEMENTS | 5,407,880 | 5,205,493 | (202,387) |
| CUW374 CALAVERAS DAM REPLACEMENT | 450,337,994 | 472,195,535 | 21,857,541 |
| CUW381 SVWTP EXPANSION/TREATED WATER RESERVOIR | 144,907,028 | 126,419,186 | (14,287,842) |
| CUW382 SVWTP TREATED WATER RES PRE PLAN/DESIGN | 5,070,808 | 5,057,035 | (13,773) |
| CUW386 SAN ANTONIO PUMP STATION UPGRADE | 14,712,922 | 13,425,768 | (1,287,154) |
| <i>Subtotal: WSIP Regions</i> | <i>\$1,744,872,994</i> | <i>\$1,897,534,146</i> | <i>\$159,661,152</i> |
| NEW WSIP PROGRAM-WIDE RESERVE | N/A | \$161,431,097 | \$144,459,649 |
| TOTAL | \$1,744,872,994 | \$2,058,965,243 | \$304,120,801 |

Item 5
File 11-1094

Department:
Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would approve the First Amendment to the existing Memorandum of Understanding (MOU) between the PUC and the Alameda County Resource Conservation District (ACRCD) to (a) increase the amount of the MOU by \$775,000, from not-to-exceed \$2,000,000 to not-to-exceed \$2,775,000, and (b) extend MOU term of the MOU by nine years, from the current term of five years (December 9, 2008 - December 8, 2013) to the new term of 14 years (December 9, 2008 - December 8, 2022).

Key Points

- On April 1, 2010, the PUC, as part of the overall Water System Improvement Program (WSIP), began construction of the \$307,000,000 Bay Division Pipeline Reliability Upgrade Project (“Project”), in which the PUC is constructing a tunnel under the San Francisco Bay to transport water from Alameda County to Santa Clara County. In accordance with the California Environmental Quality Act (CEQA), a Final Environmental Impact Report (FEIR) was prepared for the Project, which included a Mitigation, Monitoring and Reporting Program (MMRP) for two impacted areas along the Alameda Creek Watershed, near Sunol, California.
- In order to comply with the MMRP, the PUC entered into a five-year MOU with ACRCD from December 9, 2008 through December 8, 2013, in an amount not-to-exceed \$2,000,000, for ACRCD to plan and implement watershed protection projects in the Upper Alameda Watershed to mitigate the damage caused by the Project. The existing MOU included a budget of \$1,212,018 for Upper Alameda Watershed mitigation and monitoring. The MOU also included a budget of \$787,982 for ACRCD to provide environmental education, watershed protection and restoration projects, and other programs as part of the WSIP community outreach program, resulting in a total budget of \$2,000,000.

Fiscal Impacts

- The PUC has expended and encumbered \$1,960,853 of the not-to-exceed amount of \$2,000,000 under the existing MOU, leaving an unencumbered and unexpended balance of \$39,147.
- Under the proposed First Amendment to the MOU between the PUC and ACRCD, the PUC is requesting an additional amount of \$775,000 to the previously authorized \$2,000,000 amount, resulting in a new not-to-exceed amount of \$2,775,000. The additional \$775,000 will be expended as follows: (a) \$363,000 to fund additional Project mitigation and post-construction monitoring through 2022, in compliance with the MMRP; (b) \$260,000 to fund five years of an environmental education program for children, for which the curriculum was developed and a pilot program was implemented under the existing MOU; and (c) \$152,000 for ongoing watershed protection and restoration projects implemented under the existing MOU.
- The funding source for the \$2,000,000 not-to-exceed amount in the existing MOU is the WSIP Habitat Reserve Program Capital Improvement funds.
- The funding source for the proposed \$775,000 includes \$575,000 of WSIP Habitat Reserve Program funds, previously appropriated by the Board of Supervisors, and \$200,000 of future Water Enterprise operating revenues, which are subject to annual appropriation by the Board of Supervisors in FY 2012-13 through FY 2015-16.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

San Francisco Charter Section 9.118 provides that agreements, including Memorandums of Understanding (MOU), over ten years or having expenditures greater than \$10,000,000, or amendments to such MOUs that are greater than \$500,000 are subject to Board of Supervisors approval.

Background

The San Francisco Public Utilities Commission (PUC) is currently undertaking an overall Water System Improvement Program (WSIP) which consists of 86 projects to repair, replace, and seismically upgrade the Hetch Hetchy water system's aging pipelines, tunnels, pumps, tanks, reservoirs and dams. On April 1, 2010, the PUC, as part of the overall WSIP, began construction of the \$307,000,000 Bay Division Pipeline Reliability Upgrade Project ("Project"), in which a water pipeline will be constructed under the San Francisco Bay from Alameda County to Santa Clara County, in order to transport water from Hetch Hetchy to the Crystal Springs Reservoir. PUC expects the construction of the Project to be completed in approximately 2015.

In accordance with the California Environmental Quality Act (CEQA), a Final Environmental Impact Report (FEIR) was prepared for the Project, which included a Mitigation, Monitoring and Reporting Program (MMRP) for two impacted areas along the Alameda Creek Watershed, near Sunol, California.¹

In order to comply with the MMRP, the PUC entered into Memorandum of Understanding (MOU) with the Alameda County Resource Conservation District (ACRCD)² on December 9, 2008, for the ACRCD to plan and implement watershed protection projects in the Upper Alameda Watershed³ to mitigate the damage caused by the Project. The MOU also provided for ACRCD to provide other environmental and educational programs as part of the overall WSIP's community outreach program, as discussed below. The existing MOU is for five years, from December 9, 2008 through December 8, 2013, for a not-to-exceed amount of \$2,000,000, funded with Habitat Reserve Program Capital Improvement funds⁴. As the existing MOU was

¹ See Attachment for a map of the two impacted areas.

² The Alameda County Resource Conservation District (ACRCD) is an independent, non-regulatory, special district, with the primary responsibility of serving as the lead conservation agency for the agricultural lands in central and southern Alameda County. The ACRCD's current 11-member board of directors are appointed by the Alameda County Board of Supervisors.

³ The Upper Alameda Watershed which empties into the San Antonio Reservoir, is part of the Hetch Hetchy Water System, and is located near Sunol, California.

⁴ The Habitat Reserve Program Capital Improvement funds are from the overall WSIP that are set aside for mitigation projects. The Habitat Reserve Program is now known as the Bioregional Habitat Restoration Project, although the name "Habitat Reserve Program" is used in the PUC legislation.

less than \$10,000,000 and ten years, the MOU was not subject to approval by the Board of Supervisors.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize an amendment to the existing MOU between the PUC and the Alameda County Resource Conservation District to (a) increase the amount by \$775,000 from a not-to-exceed amount of \$2,000,000 to a not-to-exceed amount of \$2,775,000, and (b) extend the term of the MOU by nine years from five years (December 9, 2008 through December 8, 2013) to 14 years (December 9, 2008 through December 8, 2022).

The following Table compares the costs under the existing MOU amount of \$2,000,000 with the costs under the proposed not-to-exceed amount of \$2,775,000:

Proposed Increased Costs of the Memorandum of Understanding

| Purpose of Funds | Existing MOU | Proposed Increase | Proposed Total |
|--|--------------------|-------------------|--------------------|
| Mitigation and Monitoring | \$1,212,018 | \$363,000 | \$1,575,018 |
| Environmental Education | 135,300 | 260,000 | 395,300 |
| Working with Property Owners to Encourage Watershed Protection and Restoration | 184,182 | 152,000 | 336,182 |
| Other (Including Ecology) | 468,500 | | 468,500 |
| Total | \$2,000,000 | \$775,000 | \$2,775,000 |

An explanation of the increased cost of \$775,000 is explained below.

Mitigation and Monitoring from the Bay Division Pipeline Reliability Project

The existing MOU provides for mitigation and monitoring of the impacts of construction of the Bay Division Pipeline Reliability Project on the two affected Alameda Creek watershed areas, as required by the MMRP. According to Mr. Greg Lyman, PUC Habitat Mitigation Engineer, when PUC negotiated the MOU with ACRCDD in 2008, the four regulatory agencies responsible for oversight had not finalized the scope of necessary post-construction monitoring.⁵ The PUC is now requesting \$363,000 and a nine-year extension of the existing MOU to pay for ongoing mitigation and monitoring of the impact of the Project after completion of the construction in 2015. According to Mr. Lyman, the requested funds are sufficient to complete the post-construction mitigation and monitoring of the Project impacts on the Alameda Watershed for the nine-year extension from 2013 through 2022.

In addition to required mitigation and monitoring, the existing MOU between the PUC and ACRCDD contains provisions for community outreach programs, including environmental education, watershed protection and restoration, and other environmental or educational

⁵ Regulatory agencies include: California Department of Fish and Game, Regional Water Quality Control Board, United States Fish and Wildlife Service, and the United States Army Corps of Engineers.

programs, as discussed below. According to Ms. Carla Schultheis, PUC Watershed and Environmental Improvement Program Coordinator, these programs are part of the WSIP's community outreach program.

Environmental Education

The existing MOU included the development of environmental education curriculum for children by the non-profit organization, Sustainable Agriculture Education (SAGE) that teaches children farming techniques on SAGE's 18 acre organic farm. Under the existing MOU, ACRCDC subcontracts with SAGE for this program. The PUC is proposing to continue to fund an additional five years of the environmental education curriculum through FY 2015-16 at an additional cost of \$260,000.

Watershed Protection / Restoration

The existing MOU includes an educational program for private land owners adjacent to the Alameda Watershed to encourage participation in protecting and restoring the Alameda Watershed. According to Ms. Schultheis, the proposed \$152,000 increase in the MOU would allow the PUC to continue this program and develop it further so as to assist the land owners in protection and restoration projects.

Other

The existing MOU also includes (a) the Historical Ecology program for researching the natural state of various PUC locations along the Alameda Watershed, (b) environmental monitoring of rangeland adjacent to the Alameda Watershed, and (c) the Alameda Creek Watershed Center Interpretive Master Plan. According to Ms. Schultheis, PUC is not recommending any increases for these programs.

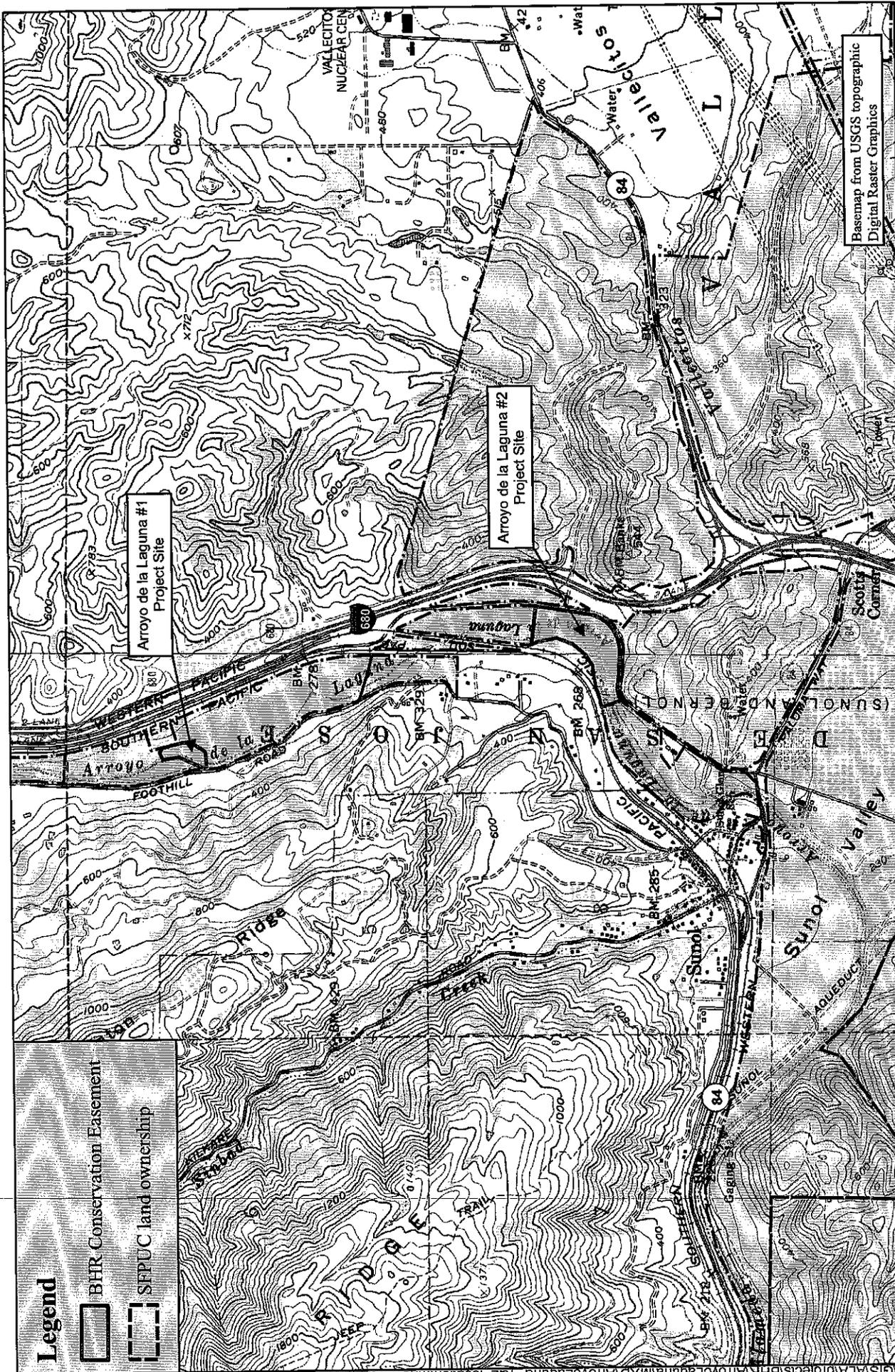
FISCAL IMPACTS

According to Mr. Carlos Jacobo, PUC Budget Manager, as of the writing of this report, expenditures and encumbrances under the existing MOU total \$1,960,853, leaving an unencumbered, unexpended balance of \$39,147.

The proposed resolution would increase the existing MOU not-to-exceed amount of \$2,000,000 by \$775,000, for a new total not-to-exceed amount of \$2,775,000, as shown in the Table above. The additional \$775,000 includes (a) \$575,000 of funds previously appropriated by the Board of Supervisors from the WSIP Habitat Reserve Program, and (b) \$200,000 of future Water Enterprise operating revenues, which are subject to annual appropriation by the Board of Supervisors in FY 2012-13 through FY 2015-16.

RECOMMENDATIONS

Approve the proposed resolution.



Basemap from USGS topographic Digital Raster Graphics

Arroyo de la Laguna #1 Project Site

Arroyo de la Laguna #2 Project Site

Legend

-  BHR Conservation Easement
-  SFPUUC land ownership



0 2,000 4,000 Feet

San Francisco Public Utilities Commission
Natural Resources Division



J.Lukins 10-18-11

Item 6
File 11-1162

Department:
Human Services Agency (HSA)
Department of Aging and Adult Services (DAAS)

EXECUTIVE SUMMARY

Legislative Objective

- Supplemental appropriation ordinance of \$3,448,827, including \$3,370,001 from the State Revenue Loss Reserve and \$78,826 of Federal matching funds to provide one-time bridge funding to the Human Services Agency (HSA) for Adult Day Health Care (ADHC) centers in order to offset State ADHC budget reductions.

Key Points

- The State of California eliminated \$170,000,000 in funding to ADHC centers Statewide, resulting in approximately a \$10,000,000 annualized reduction in funding to seven ADHC centers located in San Francisco. As a result, as of December 1, 2011, ADHC centers will no longer receive any State Medi-Cal or matching Federal funds.
- Under the proposed supplemental appropriation of funds, the Department of Aging and Adult Services (DAAS) of HSA intends to work with the existing seven ADHC center providers in the City, through an existing Institute on Aging (IOA) non-profit contract to provide ADHC services to the most vulnerable elderly participants and to transition eligible ADHC participants to less costly and alternative available City services.

Fiscal Impacts

- The requested supplemental appropriation of \$3,448,827 would provide one-time bridge funding, including (a) \$3,062,500 to the Institute of Aging to reimburse seven ADHC centers and fund alternative support services, (b) \$240,757 for the Institute on Aging staff to assess ADHC clients, and (c) \$145,570 to fund one Senior Administrative Analyst and one Protective Services Worker at DAAS from December 1, 2011 through June 30, 2012
- The estimated cost to continue these services in FY 2012-13 would be approximately \$5,730,000.

Policy Consideration

- The requested supplemental appropriation of \$3,448,827 is below the current \$10,000,000 annual funding level, but is intended to allow the City, through ADHCs service providers and other programs, to continue to serve the most vulnerable of the City's elderly population.

Recommendation

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

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

Charter Section 9.105 requires that amendments to the annual appropriation ordinance are subject to approval by ordinance of the Board of Supervisors, and subject to the Controller certifying the availability of funds.

Background

According to the California Department of Aging, Adult Day Health Care (ADHC) is a licensed community-based day care program operated in a ADHC center that provides a variety of health, therapeutic, and social services to those at risk of being placed in a nursing home. ADHC centers are licensed by the California Department of Public Health and certified for participation in the State's Medi-Cal Program by the California Department of Aging. The primary objectives of the ADHC program are to: (a) restore or maintain optimal capacity for self-care to frail elderly persons or adults with disabilities; and (b) delay or prevent inappropriate or personally undesirable institutionalization, by partnering with the participant, the family, the physician, and the community to maintain personal independence. In some situations, individuals already institutionalized may be placed back in the community with ADHC assistance and support services.

The Human Services Agency's (HSA) Department of Aging and Adult Services (DAAS) Deputy Director, Shireen McSpadden, reports that the State's ADHC program has existed in California for approximately 40 years. According to Ms. McSpadden, for-profit and non-profit ADHC centers currently receive a daily reimbursement rate of \$76 per person served, receiving 50 percent reimbursement from State Medi-Cal funds and a matching 50 percent reimbursement from the Federal Title XIX – Social Security Act funding.¹ Ms. McSpadden advises that the City has never had a direct contractual relationship with the ADHC centers nor been involved with the administration of ADHC centers.

In the State's FY 2011-12 budget, the State eliminated a total of \$170,000,000 in funding to ADHC centers statewide, resulting in an approximate annual \$10,000,000 reduction (\$5,000,000 in State Medi-Cal funding and \$5,000,000 in matching federal funding) for ADHC centers located in San Francisco. As a result, as of December 1, 2011, ADHC centers will no longer receive any State Medi-Cal or matching Federal funds. From July 1, 2011 through November 30, 2011, the seven ADHC centers located in San Francisco are anticipated to receive approximately \$4,170,000 in State and Federal funding.

San Francisco currently has the following seven ADHC centers: (1) Bayview Hunters Point Adult Day Health, (2) Jewish Family and Children's Services - L'Chaim Adult Day Health, (3) SteppingStone Adult Day Health – Mabini, (4) SteppingStone Adult Day Health - Golden Gate,

¹ According to Ms. McSpadden, although the current rate per day per participant paid by State and Federal funds is \$76, ADHC centers estimate the total daily cost at approximately \$120 and depend on fundraising to cover the difference.

(5) SteppingStone Adult Day Health – Presentation, (6) SteppingStone Adult Day Health - Mission Creek, and (7) Self-Help for the Elderly Adult Day Health. Those seven ADHC centers currently serve approximately 1,200-1,500 frail and disabled elderly persons annually.

In 2007, the City and County of San Francisco launched a \$3,000,000 Community Living Fund (CLF), funded by the City's General Fund and Federal Community Services Block Grant - Health Related and Skilled Professional Medical Personnel, which is administered by DAAS. Prior to the Community Living Fund, it was difficult for adults with disabilities, including the elderly, to access the services necessary to allow them to continue living independently in their homes, or to return to community living from institutional placement. The Community Living Fund program monies are allocated for home and community-based services, or combination of goods and services, that help individuals who are currently or at risk of being institutionalized. The Community Living Fund program uses a two-pronged approach: (1) coordinated case management; and (2) purchase of services to provide the needed resources and services, not available through any other mechanisms, to vulnerable adults with disabilities, including the elderly. In FY 2011-12, the Board of Supervisors appropriated \$3,588,517 to the Community Living Fund, including \$2,413,293 from the General Fund and \$1,175,224 from Federal funds. Since 2007, Community Living Fund services have been provided through a contract between DAAS and the non-profit Institute on Aging (IOA).²

DETAILS OF PROPOSED LEGISLATION

As shown in Table 1 below, the proposed supplemental appropriation ordinance for \$3,448,827 includes \$3,370,001 of the City's State Revenue Loss Reserve funds and \$78,826 of Federal matching funds to provide one-time bridge funding of \$3,303,257 for the Community Living Fund Assessment Team and ADHC service providers and \$145,570 for the DAAS staff, through the Human Services Agency (HSA) for the remainder of FY 2011-12, in order to mitigate the approximately \$5,833,333 in State reductions in funding to ADHC centers from December 1, 2011 through June 30, 2012.

² According to Ms. Martha Peterson, Human Services Agency Budget Analyst, based on a competitive Request for Proposal (RFP) process, HSA entered into an original Community Living Fund contract with IOA from March, 2007 through June 30, 2010 for a not-to-exceed \$7,500,000. Based on a subsequent RFP process in April of 2010, HSA entered into the current CLF contract with the IOA which extends for four years from July 1, 2010 through June 30, 2014 for a total not-to-exceed \$11,323,544.

**Table 1: Proposed Supplemental Appropriation Sources and Uses
FY 2011-12**

| Sources | |
|--|--------------------|
| State Revenue Loss Reserve | \$3,370,001 |
| Community Services Block Grant - Health Related and Skilled Professional Medical Personnel (CSBG-HR and CSBG-SPMP) Federal Match | 78,826 |
| Total Sources | \$3,448,827 |
| Uses | |
| Institute on Aging’s Community Living Fund Assessment Team and Seven ADHC Center Service Providers | \$3,303,257 |
| DAAS CLF Support Staff | 145,570 |
| Total Uses | \$3,448,827 |

Source: Department of Aging and Adult Services

FISCAL IMPACTS

Sources of Funds

According to Ms. Cindy Czerwin, Budget and Revenue Analyst in the Controller’s Office, the City’s State Revenue Loss Reserve, which was originally funded with \$15,000,000 of General Fund revenues, was appropriated by the Board of Supervisors as part of the City’s FY 2011-12 budget in order to set aside City funds to mitigate potential State budgetary reductions in FY 2011-12. If the proposed supplemental appropriation is approved, the City’s State Revenue Loss Reserve would be reduced by \$3,370,001 to \$11,629,999.

According to Ms. Martha Peterson, Human Services Agency Budget Analyst, Federal matching funds totaling \$78,826 will be available for DAAS and Institute of Aging contract staff that performs Community Living Fund assessments, for total available funds of \$3,448,827 (\$3,370,001 plus \$78,826).

Uses of Funds

According to Ms. McSpadden, of the requested \$3,448,827, a total of \$3,303,257 would be awarded to the non-profit Institute on Aging through the City’s existing Community Living Fund program. Of the total \$3,303,257 funding, \$3,062,500 (average of \$437,500 for each of seven ADHC organizations) would be allocated by the Institute on Aging to San Francisco’s seven ADHC service providers based on the number of participants per day receiving services. The Institute on Aging would use the balance of \$240,757 (\$3,303,257 less \$3,062,500) to fund staff at the Institute on Aging to assess ADHC centers’ clients and arrange for potentially alternative services. The remaining \$145,570 (\$3,448,827 less \$3,303,257) would fund one (a) Senior Administrative Analyst, and one (b) Protective Services Worker in DAAS to provide support services for the Community Living Fund program.

The Institute on Aging's staff and DAAS staff will assess the needs of each ADHC participant's and refer such participants to one of the following programs: (a) ADHC Centers, (b) Adult Day Care, (c) Alzheimer's Day Care Resource Center, and (d) Program for All-Inclusive Care of the Elderly; or a mix of other programs, such as In-Home Support Services, peer support, meals, etc. Ms. McSpadden advises that the proposed FY 2011-12 City funding is intended to be used to transition a number of ADHC participants to eligible appropriate alternative programs. Ms. McSpadden reports that DAAS expects to fully fund the ADHC centers for the first few months and then to reduce funding as participants are assigned to other programs following their assessment.

For the remainder of FY 2011-12, from December 1, 2011 through June 30, 2012, the DAAS plans to continue to provide ADHC services for approximately 800-1,200 of the total approximately 1,200-1,500 frail and disabled elderly participants currently served annually, with funding restricted to those elderly participants who are most at risk of losing their ability to maintain community living. According to Ms. McSpadden, the services that participants are currently receiving at the ADHC centers help them to remain living safely in the community, and that without the ADHC center services, such elderly persons would be unable to stay at home safely and would have to move into a skilled nursing facility.

Although the proposed supplemental appropriation only provides one-time bridge funding for FY 2011-12, according to Ms. Peterson, if the program is continued after FY 2011-12, the estimated full cost in FY 2012-13 is projected to be \$5,250,000 (\$750,000 x seven ADHC centers) plus approximately \$480,000 to retain the DAAS and Institute on Aging staff, or a total of approximately \$5,730,000. Ms. Peterson advises that with the elimination and downsizing of ADHC centers, there will be an ongoing need for DAAS and the Institute on Aging staff to transition ADHC participants into alternative available programs.

POLICY CONSIDERATIONS

One-Time Bridge Funding is Below the Current Funding Level and Does Not Address Future Needs

The requested supplemental appropriation for \$3,448,827 is below the current \$10,000,000 annual funding level, but is intended to allow ADHCs service providers to continue to serve the most vulnerable of the City's frail and disabled elderly population. Based on an effective date of December 1, 2011, the proposed supplemental appropriation request for \$3,448,827 is approximately \$2,384,506 below the current State and Federal funding level of \$5,833,333 for the remainder of FY 2011-12. However, according to Ms. McSpadden, the requested funding of \$3,448,827 will allow DAAS to assess all of the participants currently being served in the ADHC program (approximately 1,200-1,500) and will provide funding for each participant to be served in the most appropriate program, either through ADHC centers or through an alternate program. In addition, as noted above, in FY 2012-13, at a minimum, DAAS will request to maintain the Community Living Fund assessment team at an estimated annual cost of approximately \$480,000, as initiated under this ordinance, in order to continue to assist in transitioning ADHC participants into alternative available programs.

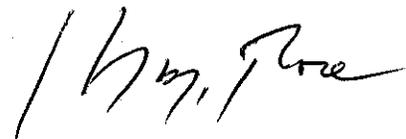
Ms. McSpadden states that DAAS will work with the ADHC center providers to transition their participants into less costly, existing City programs. DAAS is also looking into securing Federal matching funds in order to continue to provide such ADHC center services. According to Ms. McSpadden, DAAS is also planning to work with the City's two Medi-Cal managed care plans, Anthem Blue Cross and the SF Health Plan, to potentially include some ADHC center services within their plans.³

Availability of Future City Funding

Ms. Melissa Howard, Fiscal and Policy Analyst in the Mayor's Office of Policy and Finance reports that at this time the City is unable to commit to continuing to backfill State reductions in ADHC center funding, such as is being requested under the proposed supplemental appropriation. In addition, Ms. Howard reports that in future fiscal years, City funding for the ADHC centers will be dependent on: (a) the City's overall financial position, given expenditure and revenue projections, and (b) other DAAS priorities.

RECOMMENDATION

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



Harvey M. Rose

cc: Supervisor Chu
Supervisor Mirkarimi
Supervisor Kim
President Chiu
Supervisor Avalos
Supervisor Campos
Supervisor Cohen
Supervisor Elsbernd
Supervisor Farrell
Supervisor Mar
Supervisor Wiener
Clerk of the Board
Cheryl Adams
Controller

³ The term managed care describes a variety of techniques intended to reduce the cost of providing health benefits or to describe systems of financing and delivering health care.