CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

February 28, 2013

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: March 6, 2013 Budget and Finance Sub-Committee Meeting

TABLE OF CONTENTS

Items 3 and 4 Files 13-0117 & 13-0118	Department: City Planning

EXECUTIVE SUMMARY

Legislative Objective

File 13-0117: An ordinance appropriating $3,194,677 from the Planning Department's surplus fee revenues to fund 10 new, limited-term positions as well as office space improvements, record and information upgrades, revision of planning documents, and additional funding for the Permit and Project Tracking System (PPTS) and the Central Corridor Environmental Impact Report.

File 13-0118: An ordinance amending the Annual Salary Ordinance (ASO) to add 10 new, limited-term positions (2.5 FTE positions in FY 2012-13) for a term of 2.25 years.

Key Points

- According to the Controller's FY 2012-13 Six-Month Budget Status Report, the Planning Department is estimated to end FY 2012-13 with a revenue surplus of $4,300,000 that is due to higher building permit and environmental application fees that have been collected from various planned large-scale projects.
- The proposed supplemental appropriation ordinance (File 13-0117) would appropriate $3,194,677 from the Planning Department's surplus fee revenues including: (a) $1,102,000 to fund office space improvements, record and information upgrades, revision of planning documents, additional funding for the Permit and Project Tracking System (PPTS), and the Central Corridor Environmental Impact Report; and (b) $2,092,677 to fund, under a continuing project, 10 new, limited-term positions for 2.25 years.
- According to Mr. Keith DeMartini, the Planning Department's Financial Manager, the Planning Department is currently experiencing a backlog of 356 planning cases and 106 building permits that are awaiting review. Mr. DeMartini noted that additional staff is needed for a limited term of 2.25 years from approximately May 2013 through July 2015 to eliminate this backlog.

Fiscal Impact

- The proposed supplemental appropriation ordinance (File 13-0117) would be funded by the Planning Department's surplus fee revenues which are projected to be $4,300,000 by the end of FY 2012-13 (June 30, 2013). These fees include (a) New Construction Building Permit Fee Revenues, (b) Building Permit Alterations Fee, and (c) Environmental Planning Fees.
- Pursuant to the City Planning Code Section 350, the Planning Department's fee revenues are restricted-use funds and can only be expended to cover the cost of the services for which the fee was collected or for other related departmental costs associated with the review of the project. The Planning Department fee revenues cannot be appropriated for any other City expenditures. The 10 requested positions include six Planner positions to process permits, enforce code compliance, and conduct environmental review, and four clerical and administrative support positions for permit processing and environmental review.

- The Budget and Legislative Analyst recommends approval of 8 and disapproval of 2 of the 10 requested limited term positions. The Budget and Legislative Analyst's recommendations will result in salary and fringe benefit savings of $420,453. Therefore, the requested supplemental appropriation should be reduced by $420,453, from $3,194,677 to $2,774,224.

Recommendations

- Amend the proposed Annual Salary Ordinance (File 13-0118) for FY 2012-13 to specify that all new, limited-term positions are Limited Tenure (LT) positions for no more than 2.25 years.
- Amend the proposed Annual Salary Ordinance (File 13-0118) by deleting (a) one 1404 Clerk, Citywide Planning Division, and (b) one 5291 Planner III, Current Planning Division.
- Amend the proposed supplemental appropriation ordinance (File 13-0117) to reduce the requested supplemental appropriation by $420,453, from $3,194,677 to $2,774,224.
- Approve File 13-0117 and File 13-0118 as amended.

MANDATE STATEMENT & BACKGROUND

Mandate Statement

Under Section 3.15 of the City's Administrative Code, supplemental budget requests, subsequent to the adoption of the annual budget for the current fiscal year, are subject to approval by the Board of Supervisors.

Pursuant to the City's Planning Code, Section 350, the Planning Department can impose fees in order to compensate the Department for the cost of processing applications and for the development and revision of land use controls.

Background

The Planning Department's FY 2012-13 budget totals $28,185,710, with the General Fund comprising $4,784,151, or 17% of the budget, fees for services comprising $21,109,469, or 75% of the budget, and various grant and project funds comprising $2,292,090, or 8% of the budget, and includes 156.8 budgeted full-time equivalent employees (FTE).

Building Permits and Planning Cases

One of the Planning Department's primary responsibilities is to process building permits and planning cases for new development projects that require planning permits. Processing building permits and planning cases entails reviewing project plans to ensure that new developments, or alterations to existing developments, comply with the San Francisco Planning Code.

According to Mr. Keith DeMartini, the Planning Department's Financial Manager, the Planning Department projected a 3% increase in the overall amount of planning cases and building permits that would be processed in FY 2012-13 from FY 2011-12, as shown in Table 1 below, largely due to the economic recovery that San Francisco has been experiencing this year.

Table 1
Building Permits and Planning Cases Processed from FY 2007-08 to FY 2012-13

	FY07-08 Actual	FY08-09 Actual	FY09-10 Actual	FY10-11 Actual	FY11-12 Actual	FY 12-13 (Est.)	Total
Building Permits	7,496	6,155	6,301	6,330	6,523	6,770	39,575
Planning Cases	1,966	1,495	1,336	1,520	1,832	1,818	9,967
Total	9,462	7,650	7,637	7,850	8,355	8,588	49,542
% Increase/ Decrease from Prior Year	n/a	-19%	0%	3%	6%	3%	

Mr. DeMartini explained that the Planning Department is currently experiencing a backlog of 356 planning cases and 106 building permits that are awaiting review.[1] This backlog is included in the FY 2012-13 projected caseload in Table 1 above consisting of 6,770 building permits and 1,818 planning cases.

Mr. DeMartini noted that additional staff is needed to process this backlog. Currently, the Planning Department has 52.76 full time equivalent (FTE) positions dedicated to processing building permits and planning cases as shown in Table 2 below.

Table 2
Positions Dedicated to Processing Building Permits and Planning Cases

Title	**Class**	**FTE**
Current Planning Division		
Sr. Clerk Typist	1426	2.00
Planner Tech	5275	1.50
Planner I	5277	4.00
Planner II	5278	8.25
Planner III	5291	18.92
Environmental Planning Division		
Planner Tech	5275	.75
Planner II	5278	4.74
Planner III	5291	1.00
Planner III- Env. Review	5298	11.60
	Total	52.76

Projected Revenue Surplus

According to the Controller's FY 2012-13 Six-Month Budget Status Report, the Planning Department projects to end FY 2012-13 with a revenue surplus of $4,300,000 as of June 30, 2013.

Mr. DeMartini attributed the revenue surplus to the higher building permit and environmental application fees that have been realized from various planned large-scale projects, which are assessed higher fees based on the estimated construction cost of the project. Mr. DeMartini also noted that City Planning has not realized surplus fee revenues of this magnitude in recent years.

[1] According to Mr. DeMartini the backlog consists of applications for permits that have been filed and are awaiting the review of a Planner.

DETAILS OF PROPOSED LEGISLATION

File 13-0117

The proposed supplemental appropriation ordinance (File 13-0117) would appropriate $3,194,677 from the Planning Department's surplus fee revenues to fund office space improvements, record and information upgrades, revision of planning documents, additional funding for the Permit and Project Tracking System (PPTS), and the Central Corridor Environmental Impact Report totaling $1,102,000 and $2,092,677 to fund 10 new, limited-tenure positions for 2.25 years. Uses for the supplemental appropriation are shown in Table 3 below.

Included in the proposed supplemental appropriation is $2,092,677 to fund 10 new, limited-term positions for 2.25 years as requested in the proposed Amendment to the Annual Salary Ordinance (File 13-0118), to reduce the backlog of building permits and planning cases for a total supplemental appropriation amount of $3,194,677.

Table 3
Proposed Supplemental Appropriation One-Time Uses

Expenditure	Amount	Description
Additions & Expansion Guidelines	60,000	Hire a consultant to develop small and medium-scale residential addition and expansion guidelines to retain historic buildings and character of residential neighborhoods.
Refine California Environmental Quality Act (CEQA) Analysis Procedures	50,000	Hire a consultant to develop more specific guidelines and revised public documents on procedures and analysis pertaining to CEQA.
Preservation Documents Revision	50,000	Hire a consultant to revise the Preservation Bulletins to reflect recent amendments to the Planning Code and other local historic preservation programs.
Subtotal, Consultant Costs for Guidelines, CEQA Analysis, and Documents Revision	**$160,000**	
Office Space Reconfiguration	$125,000	$45,000 for office space reconfiguration for new staff hired through the supplemental and $80,000 to redesign the space at the Planning Information Center (PIC) to provide more efficient service to the public.
Records & Information*	522,000	Digitize historical case files, purchase AutoCad and transportation analysis software, install department-wide WiFi, printer replacements, and increase capacity in the storage area network.
Permit and Project Tracking System (PPTS) Funding	45,000	Fund additional configuration needs and reports as part of the larger PPTS.
Central Corridor Environmental Impact Report (EIR) Funding*	250,000	Fund additional analysis required in the Central Corridor EIR.
One-time Expenditures Subtotal	$1,102,000	
Ten New Limited-Tenure Planning Staff for 2.25 Years Subtotal	$2,092,677	Salary and fringe benefit costs for 10 new, limited-term positions for 2.25 years as proposed in the amendment to the City's Annual Salary Ordinance (File 13-0118).
Total Supplemental Appropriation	**$3,194,677**	

A description of the requested budget items which totals $3,194,677, as shown in Table 3 above. is as follows:

Update Guidelines and Procedures (Additions & Expansions, CEQA, & Preservation Documents) - $160,000

The Planning Department is proposing to (1) develop guidelines to inform the design of additions and expansions for small- and medium-scaled residential projects as there are currently no guidelines; (2) update the historic resource review procedures related to CEQA and the historic preservation report in the Property Information Map and (3) revise the Historic Preservation Bulletins and establish a more streamlined determination process for potential historic resources. The cost for the revision of guidelines and procedures is based on the number of hours that would be required for a consultant to coordinate a series of working group meetings, identify issues and areas of improvement opportunities, draft a procedures document, make revisions, and prepare informational handouts for each of the guideline documents. Planning staff would work with the Department's contract analysts in developing the appropriate solicitation (RFP, RFQ, etc.) for a consultant to provide the above mentioned services.

Office Space Reconfiguration- $125,000

The Planning Department is proposing reconfiguration of the Planning Information Center (PIC) on the first floor of the Planning Department at 1660 Mission Street. The PIC is the initial point of contact for the public who are requesting information and submitting applications for planning permits. Several proposed modifications to the PIC include reconfiguring counter space to facilitate more private interactions between Planning staff and the public, developing new signage, creating a more inviting space for the public, and adding a workstation to accommodate peak demand for services. The office space modifications to accommodate the proposed new staff include four new desks and one private office.

Records and Information - $522,000

The Planning Debarment is proposing to digitize approximately 2,000,000 historical case files and make information technology upgrades. The proposed budget for the Records and Information component of the requested supplemental appropriation is shown in Table 4 below.

Table 4
Records and Information Budget

Expenditures	Amounts
Digitize Historical Case Files	$100,000
AutoCad/Transportation Analysis Software	35,000
Department wide Wireless Internet	35,000
Printer Replacements	27,000
Storage Are Network (SAN) Increase and System Backend Replacements	325,000
Records & IT Improvements Total	**$522,000**

Permit and Project Tracking System (PPTS) - $45,000

The Permit and Project Tracking System (PPTS) is a joint project with the Department of Building Inspection (DBI) that will improve permit and project processing. The PPTS is a city-wide system that has the capability of processing and tracking permit and project transactions across all City departments providing transparency, assuring data and financial accountability, and reducing permit processing times. From the user perspective, the PPTS will allow the public to track planning applications and building permits online, file certain applications and permits online, file complaints and search for general property information. As noted in Table 3 above, the requested $45,000 is to fund additional reconfiguration needs and reports as part of the PPTS which is currently being implemented by Accela-21 Tech, LLC, a consultant whose contract was awarded through a competitive process.

Central Corridor Environmental Impact Report (EIR) Funding- $250,000

The Planning Department is proposing to use $250,000 of the proposed supplemental appropriation to fund additional analysis for the Central Corridor EIR (See the Budget and Legislative Analyst's report to the Budget and Finance Committee pertaining to File 13-0120).

New Positions - $2,092,677 (File 13- 0118)

File 13-0118 would amend the Annual Salary Ordinance (ASO) to add 10 new, limited-term FTE's (2.5 positions in FY 2012-13) for a term of 2.25 years. A list of the positions and salaries including fringe benefit amounts are shown in Table 5 below.

Table 5
10 Temporary Positions Requested for FY 2012-13 through FY 2014-15

	FY 2012-13		FY 2013-14		FY 2014-15		
Position	**FTE**	**Salary and Fringe Benefits**	**FTE**	**Salary and Fringe Benefits**	**FTE**	**Salary and Fringe Benefits**	**Total Salaries and Fringe Benefits for 2.25 Years**
Citywide Division							
1404 Clerk	0.25	$15,167	1.00	$60,667	1.00	$63,400	$139,234
Administration							
1404 Clerk	0.25	15,167	1.00	60,667	1.00	63,400	139,234
5275 Planner Technician	0.25	17,923	1.00	71,691	1.00	75,000	164,614
Environmental							
1404 Clerk	0.25	15,167	1.00	60,667	1.00	63,400	139,234
5298 Planner III-Environ. Review	0.25	29,701	1.00	118,806	1.00	124,221	272,728
Zoning							
5277 Planner I	0.25	20,603	1.00	82,413	1.00	86,286	189,302
Current Planning							
5278 Planner II	0.25	25,048	1.00	100,194	1.00	104,903	230,145
5291 Planner III	0.25	29,701	1.00	118,806	1.00	124,221	272,728
5291 Planner III	0.25	29,701	1.00	118,806	1.00	124,221	272,728
5291 Planner III	0.25	29,701	1.00	118,806	1.00	124,221	272,728
Total	**2.50**	**$227,881**	**10.00**	**$911,522**	**10.00**	**$953,273**	**$2,092,677**

*A 45.2% mandatory benefits and fringe rate was assumed for each position. The total 2.25 year salary and fringe benefit amount in Table 5 above has been rounded up by $1.

Of the 10 new, limited-term requested positions proposed, 6 are for Planner positions (1.0 FTE for a Planner I, 1.0 FTE for a Planner II, and 4.0 FTE for Planner IIIs).

- One Planner I position in the Zoning Administration and Compliance Division will work with Code Enforcement planners to investigate and resolve complaints regarding Planning Code violations. According to Mr. DeMartini, as of December 2012 the Planning Department had 1,178 complaints, which have not yet been reviewed or are in the process of investigation or resolution. Four positions (1.0 Planner II and 3.0 Planner IIIs) in the Current Planning Division which have been requested to process building permits and planning cases. According to Mr. DeMartini, the four new positions are necessary to process the caseload backlog of 356 planning cases and 106 building permits.

- One Planner III in the Environmental Planning Division to conduct environmental review of the increased planning cases contributing to the backlog. According to Mr. DeMartini, routine environmental review cases are expected to increase by 30% and more detailed environmental impact reports are expected to increase by 9% in FY 2012-13 compared to FY 2011-12.

The remaining 4.0 FTEs requested are for staff support positions (3.0 FTEs for Clerks and 1.0 FTE for a Planner Technician). These positions will focus on the administrative work required to process the permits and planning cases in the backlog including application intake and processing as well as carrying-out noticing requirements and project close-out procedures allowing the Planner staff to focus on the analysis and technical review of the projects.

The Planning Department anticipates hiring of the 10 new positions in May 2013. The positions would be limited term for 2.25 years, from May 2013 through July 2015.

FISCAL IMPACT

As noted in Table 3 above, the proposed supplemental appropriation totals $3,194,677 including (a) $1,102,000 in one-time expenditures in FY 2012-13 for office space reconfiguration, record and technology improvements, updated guidelines and procedures, and additional funding for the Permit and Project Tracking System (PPTS) and the Central Corridor EIR; and (2) $2,092,677 over 2.25 years (approximately May 2013 through July 2015) for 10 new, limited-term FTE's (2.5 FTE's in FY 2012-13).

The proposed supplemental appropriation ordinance (File 13-0117) would be funded by the Planning Department's surplus fee revenues which are projected to be $4,300,000 by the end of FY 2012-13 (June 30, 2013). The projected revenue surplus results from increased new construction building permit fees, building permit alteration fees, and environmental planning fees. In the first half of FY 2012-13, the Planning Department has already received 72% of its budgeted fee revenues that were projected in the FY 2012-13 budget as shown in Table 6 below.

Table 6
Planning Department Fee Revenues

Fee Revenue Type	FY 2012-13 Budgeted Revenues	FY 2012-13 Actual Revenues to Date	Percentage of Budgeted Revenues Received to Date
New Construction Building Permit Fee Revenues	$1,599,386	$1,497,566	94%
Building Permit Alterations Fee	$9,622,807	$6,537,926	68%
Environmental Planning Fees	$4,411,956	$3,223,552	73%
Total	**$15,634,149**	**$11,259,044**	**72%**

The Planning Department expects FY 2012-13 actual fee revenues of $19,934,149, or $4,300,000 more than budgeted revenues of $15,634,149.

Pursuant to the City Planning Code Section 350, the Planning Department's fee revenues are restricted-use funds and can only be expended to cover the cost of the services for which the fee was collected or for other departmental costs associated with the review of the project. The revenues cannot be appropriated for any other City expenditures.

The requested amount of FTE's in the proposed Amendment to the Salary Ordinance (File 13-0118) is more than necessary to reduce the building permit and planning case backlog.

The proposed Amendment to the Salary Ordinance (13-0118) would create 10 new, limited-term FTE's (2.5 in FY 2012-13) consisting of 6.0 Planner positions and 4.0 administrative support positions including 3.0 Clerks and 1.0 Planner Technician as shown in Table 5 above. The Budget Analyst recommends reducing the number of FTE's by 2.0 as shown in Table 7 below.

Table 7
Budget Analyst Recommended Positions

Division	Position	Planning FTE Request	FTE Need (BLA Analysis)	FTE Recommend	Budget & Legislative Analyst Recommended Reductions
Planners					
Current Planning	Planner II Planner III	1.0 3.0	1.0 2.0	1.0 2.0	0.0 (1.0)
Environmental Planning	Planner III	1.0	1.0	1.0	0.0
Zoning & Compliance Division	Planner I	1.0	1.0	1.0	0.0
Subtotal Planners		**6.0**		**5.0**	**(1.0)**
Administrative Support					
Environmental Planning	Clerk	1.0	1.0	1.0	0.0
Administration	Clerk	1.0	1.0	1.0	0.0
Administration	Planning Tech	1.0	1.0	1.0	0.0
Citywide	Clerk	1.0	0.0	0.0	(1.0)
Subtotal Support		**4.0**		**3.0**	**(1.0)**
Total		**10.0**		**8.0**	**2.0**

In summary, as noted in Table 7 above, the Budget and Legislative Analyst recommends approval of 8.0 of the 10.0 requested new, limited-term positions and recommends disapproval of 2.0 of the requested 10.0 new, limited-term positions. The Budget and Legislative Analyst's explanations for the disapproval of 2.0 of the 10.0 requested new FTE positions are as follows:

- Reduce the number of requested Planner III positions in the Current Planning Division by 1.0 Planner III, from 3.0 Planner IIIs to 2.0 Planner IIIs. The Department currently has 3.28 vacant Planner II and Planner III positions in the Current Planning Division, which, if filled, would be able to process the increase in caseload. Based on the Budget and Legislative Analyst's calculation of the number of Planner II and III positions required to process the projected caseload in FY 2012-13, 3.0 new limited-term Planner III positions in the Current Planning Division, rather than the 4.0 Planner III requested positions, is sufficient.
- Reduce the requested Clerk position in the Citywide Division from 1.0 to 0. According to Mr. DeMartini, the Citywide Planning Division does not have sufficient administrative support for the variety of projects in which Citywide Planning staff is working on. However, the requested Clerk position in the Citywide Division would support the Planners in the Citywide Planning Division and the Citywide Planning Division's initiatives and would not support the processing of building permits and planning cases.

The Budget Analyst recommends approval of (1) 1.0 Planner II and 2.0 Planner III positions in the Current Planning Division; (2) 1.0 Planner I position in the Zoning and Compliance Division; (3) 1.0 Planner III position in the Environmental Planning Division; (4) 1.0 Planning Technician in the Administration Division and 1.0 Clerk in the Administration Division to support permit application and processing; and (5) 1.0 Clerk in the Environmental Planning Division to support processing of environmental review applications. Currently, the Environmental Planning Division has no clerical staff.

The Budget and Legislative Analyst's recommendations would result in salary and fringe benefit savings of $420,453. Therefore, the requested supplemental appropriation should be reduced by $420,453, from $3,194,677 to $2,774,224.

According to Mr. Keith DeMartini, 10.0 new, limited-term FTE positions is the needed number of positions to eliminate the backlog of building permits and planning cases that the Planning Department is currently experiencing, including the Planner III position in the Current Planning Division that the Budget and Legislative Analyst is recommending disapproval.

However, as the Budget and Legislative Analyst has noted above, there are currently 3.28 vacant Planner II and Planner III positions in the Current Planning Division, which, if filled, can process the increase in caseload. Therefore, the Budget and Legislative Analyst recommends 3.0 Planner IIIs in the Current Planning Division instead of 4.0 Planner IIIs. Also, as noted above, the requested Clerk in the Citywide Planning Division would support the Planners in the Citywide Planning Division and the Citywide Planning Division's initiatives and would not support the processing of building permits and planning cases.

RECOMMENDATIONS

1. Amend the proposed Annual Salary Ordinance (File 13-0118) for FY 2012-13 to specify that all new, limited-term positions are Limited Tenure (LT) positions for no more than 2.25 years.

2. Amend the proposed Annual Salary Ordinance (File 13-0118) by deleting (a) one 1404 Clerk, Citywide Planning Division, and (b) one 5291 Planner III, Current Planning Division.

3. Amend the proposed supplemental appropriation ordinance (File 13-0117) to reduce the requested supplemental appropriation by $420,453, from $3,194,677 to $2,774,224.

4. Approve File 13-0117 and File 13-0118 as amended.

Item 5 **File 13-0120**	**Department:** Planning Department

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Planning Department to accept and expend a $200,000 grant from the Metropolitan Transportation Commission (MTC) for the expansion of the scope of the previously approved Environmental Impact Report for San Francisco's Central Corridor to include the area of Folsom and Howard Streets between Second and Sixth Streets.

Key Points

- The City is undertaking two projects in the South of Market to (1) expand the existing Moscone Center (Moscone Expansion Project); and (2) extend the Central Subway along Fourth Street from Mission Street to Townsend Street (Central Corridor Project).
- The Planning Department received a $400,000 grant from the Metropolitan Transportation Commission (MTC) in the FY 2011-12 budget to partially pay for consulting services to prepare: (1) an Environmental Impact Report (EIR) for the Central Corridor, as a component of the Central Subway Project, (2) an EIR for the Moscone Expansion Project, and (3) a Transportation Impact Study and associated transportation-related environmental documentation for both the Central Corridor Plan and Moscone Expansion Project. These studies are expected to provide improved land use and transportation plans for the South of Market (SoMa) neighborhood.
- The Planning Department applied to the MTC for a second $200,000 grant to expand the proposed scope for Central Subway Project's Central Corridor EIR to include the area of Folsom and Howard Streets between Second and Sixth Streets as this is much of SoMa's main commercial center.

Fiscal Impacts

- The MTC requires matching funds of $750,000 for the proposed $200,000 grant, of which $400,000 will be funded by the Department of Public Works through Moscone Expansion Project application fee revenues and $350,000 will be funded by the City's General Fund capital funds. The $750,000 in required matching funds was previously appropriated by the Board of Supervisors in the City's FY 2012-13 and FY 2013-14 budgets.
- Total project costs are $2,532,000, which includes (1) a contract between the Planning Department and Environmental Science Associates, selected through a competitive Request for Proposals process to prepare the two EIRs and to prepare the Transportation Impact Studies for the Central Corridor and Moscone Expansion projects, totaling $1,832,000; and (2) $700,000 in Planning Department and City Attorney costs.
- Project funding sources for the costs of $2,532,000 are: (1) $600,000 in MTC grants and $750,000 in matching funds, totaling $1,350,000 (2) $36,000 from the Department of Public Works, (3) $750,000 from the Tourism Improvement District, (4) $146,000 from the Planning Department, and (5) $250,000 from the Planning Department's pending Supplemental Appropriation (File 13-0117 of the Budget and Legislative Analyst's report to the Budget and Finance Committee).

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT/ BACKGROUND

Mandate Statement

In accordance with Administrative Code Section 10.170-1, the acceptance and expenditure of Federal, State, or other grant funds in the amount of $100,000 or more is subject to approval by the Board of Supervisors.

Background

The City is undertaking two projects in the South of Market to (1) expand the existing Moscone Center (Moscone Expansion Project); and (2) extend the Central Subway along Fourth Street from Mission Street to Townsend Street (Central Corridor Project).

The Planning Department received a $400,000 grant from the Metropolitan Transportation Commission (MTC) in the FY 2011-12 budget to pay for consulting services to prepare: (1) an Environmental Impact Report (EIR) for the Central Corridor, as a component of the Central Subway Project, (2) an EIR for the Moscone Expansion Project, and (3) a Transportation Impact Study and associated transportation-related environmental documentation for both the Central Corridor Plan and Moscone Expansion Projects. These studies are expected to provide improved land use and transportation plans for the South of Market (SoMa) neighborhood in light of the substantial changes underway for the neighborhood.

The Planning Department applied to the MTC for a second $200,000 grant to expand the proposed scope for the Central Subway Project's Central Corridor EIR to include the area of Folsom and Howard Streets between Second and Sixth Streets. As reported by the Planning Department in the second grant application to the MTC, this Folsom-Howard area encompasses much of the main commercial center of the SoMa neighborhood and should be included in the EIR.

The draft contract deliverables for the consulting services for the full EIR are outlined in Table 1 below.

Table 1: Draft Consulting Contract Deliverables for Impact Studies

Anticipated Completion Date	Major Deliverables for the EIR Consultant Contract
February 2013	Consultant Contract is Executed
April 2013	Central Corridor Notice of Preparation of an Environmental Impact Report
October 2013	Final Combined Central Corridor and Moscone Project Transportation Impact Study
October 2013	Moscone Project Initial Study or Notice of Preparation of an Environmental Impact Report
January 2014	Moscone Project Draft Environmental Impact Report
March 2014	Central Corridor Draft Environmental Impact Report
July 2014	Certification of Moscone Project Environmental Impact Report
December 2014	Certification of Central Corridor Environmental Impact Report

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Planning Department to accept and expend a $200,000 grant from the Metropolitan Transportation Commission (MTC) for the expansion of the scope of the Environmental Impact Report for San Francisco's Central Corridor to include the area of Folsom and Howard Streets between Second and Sixth Streets.

FISCAL IMPACT

The MTC requires matching funds of $750,000 for the proposed $200,000 grant, of which $400,000 will be funded by the Department of Public Works through Moscone Expansion Project application fee revenues, and $350,000 will be funded by the City's General Fund capital funds. The $750,000 in required matching funds was previously appropriated by the Board of Supervisors in the City's FY 2012-13 and FY 2013-14 budgets.

Total project costs are $2,532,000, which includes (1) a contract between the Planning Department and Environmental Science Associates, selected through a competitive Request for Proposals process to prepare the two EIRs and to prepare the Transportation Impact Studies for the Central Corridor and Moscone Expansion projects, totaling $1,832,000; and (2) $700,000 in Planning Department and City Attorney costs.

Project funding sources for the costs of $2,532,000 are: (1) $600,000 in MTC grants, including the subject requested grant of $200,000, and $750,000 in matching funds, totaling $1,350,000 (2) $36,000 from the Department of Public Works, (3) $750,000 from the Tourism Improvement District, (4) $146,000 from the Planning Department, and (5) $250,000 from the Planning Department's pending Supplemental Appropriation (File 13-0117 of the Budget and Legislative Analyst's report to the Budget and Finance Committee).

No indirect costs will be charged to the grant as the full grant amount is allocated to the consultant's costs associated with the Environmental Impact Review of the Central Corridor.

RECOMMENDATION

Approve the proposed resolution.

Item **File 13-0162**	**Department**: City Planning

EXECUTIVE SUMMARY

Legislative Objectives

Request to release $51,218 of Planning Department funds previously placed on reserve by the Budget and Finance Committee for the joint Permit and Project Tracking System (PPTS) project between the Planning Department and the Department of Building Inspection (DBI).

Key Points

- The PPTS is a joint project between the Department of Building Inspection (DBI) which is a city-wide system that will process and track permit and project transactions across all city departments providing transparency, assuring data and financial accountability, and reducing permit processing times. The PPTS will consolidate multiple database systems into a single permitting system allowing city departments to share data and combine project, permit, Geographic Information System, property and billing data into one system. From the user perspective, the PPTS will allow the public to track planning applications and building permits online, file certain applications and permits online, file complaints and search for general property information.
- The PPTS total estimated project budget is $6,102,718 of which the Planning Department would contribute $2,094,732 from General Fund monies (pending the approval of the requested $45,000 in File 13-0117 of the Budget and Legislative Analyst report), or 34 percent, and DBI would contribute $4,007,986, or 66 percent from fee revenues.
- In FY 2008-09, the Board of Supervisors appropriated $400,000 in the Planning Department's budget for the PPTS and placed $146,065 on reserve, pending the execution of an agreement between the Planning Department and DBI defining the project sponsorship, the departments' responsibilities, timelines and resources. A Memorandum of Understanding (MOU) between the Planning Department and the Department of Building Inspection was executed on October 20, 2008. In 2008, the Board of Supervisors Budget and Finance Committee approved the release of $94,847 (File 08-1369) from the reserve, leaving a remaining balance of $51,218 on reserve.
- The Board of Supervisors also appropriated $641,527 in the Planning Department's FY 2012-13 budget, for the PPTS. According to Mr. Keith DeMartini, the Planning Department's Finance Manager, $641,527 was the amount needed to fund the final implementation of the project, assuming that the Board of Supervisors releases the requested $51,218 on reserve, and appropriates the requested $45,000 (see File 13-0117 of the Budget and Legislative Analyst's report).

Fiscal Impact

- The Planning Department is requesting the release of $51,218 that the Budget and Finance Committee previously placed on reserve for the Planning Department and DBI's Permit and Project Tracking System (PPTS) project to pay for PPTS consulting services with Accela-21 Tech, LLC. The $51,218 would pay for approximately 292 hours of consultant time at $175 per hour.
- Because the Planning Department has met the Budget and Finance Committee's condition for the release of reserves by entering into an agreement with DBI in 2008, which defines the project sponsorship, the departments' responsibilities, timelines and resources, the Budget and Legislative Analyst recommends release of the requested funds of $51,218 on reserve.

Recommendation

- Approve the requested release of $51,218.

MANDATE STATEMENT

Section 3.3 of the City's Administrative Code provides that 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, which are then subject to release by the Budget and Finance Committee.

BACKGROUND

In the FY 2008-09 budget review, the Board of Supervisors placed $146,065 on reserve in the Planning Department's budget for the Permit and Project Tracking System (PPTS) which is a joint project between the Planning Department and DBI. The PPTS is a city-wide system that will process and track permit and project transactions across all city departments providing transparency, assuring data and financial accountability, and reducing permit processing times. The PPTS will consolidate multiple database systems into a single permitting system allowing city departments to share data and combine project, permit, Geographic Information System, property and billing data into one system. From the user perspective, the PPTS will allow the public to track planning applications and building permits online, file certain applications and permits online, file complaints and search for general property information.

The Board of Supervisors placed $146,065 on reserve, pending the execution of an agreement between the Planning Department and DBI defining the project sponsorship, the two departments' responsibilities, timelines and resources. A PPTS Memorandum of Understanding (MOU) between the Planning Department and the Department of Building Inspection was executed on October 20, 2008. In 2008, the Board of Supervisors approved the release of $94,847 (File 08-1369) from the reserve, leaving a remaining balance of $51,218 on reserve.

DETAILS OF PROPOSED LEGISLATION

The Planning Department is requesting the release of $51,218 that the Budget and Finance Committee previously placed on reserve for the joint Permit and Project Tracking System (PPTS) project between the Planning Department and DBI as discussed above.

The PPTS total estimated project budget is $6,102,718, of which the Planning Department is proposing to contribute $2,094,732, or 34 percent, from General Fund monies and DBI is contributing $4,007,986, or 66 percent, from DBI fee revenues.

As shown in Table 1 below, the Planning Department's budget from FY 2007-08 through FY 2012-13 for the PPTS is $2,049,732 including the subject requested release of reserve funds of $51,218. In addition, the Planning Department has requested a separate appropriation of $45,000 for the PPTS, which is the subject of File 13-0117 of the Budget and Legislative Analyst's report to the Budget and Finance Committee. If the Board of Supervisors appropriates the additional $45,000, the total Planning Department appropriation for the PPTS will be $2,094,732. To date, the Planning Department has expended $1,423,180 of the $2,049,732 appropriation, leaving a remaining appropriation balance of $626,552.

Table 1
Appropriated Funds to the Planning Department for the PPTS
from FY 2007-08 through FY 2012-13

Fiscal Year	Amount
FY 2007-08	$153,205
FY 2008-09	400,000
FY 2009-10	855,000
FY 2012-13	641,527
Total	**$2,049,732**

The Board of Supervisors appropriated $641,527 in the Planning Department's FY 2012-13 budget for the PPTS, as shown in Table 1 above. According to Mr. Keith DeMartini, the Planning Department's Finance Manager, $641,527 was the amount needed to fund the final implementation of the project assuming that the Board of Supervisors releases the $51,218 on reserve, and appropriates the separate additional request of $45,000 (File 13-0117).

Mr. DeMartini further noted that the PPTS is scheduled to be operational in November 2013.

FISCAL IMPACT

In the FY 2008-09 Annual Appropriation Ordinance, the Board of Supervisors placed $146,065 on reserve for the Planning Department's Permit and Project Tracking System (PPTS) project.

On November 19, 2008, the Budget and Finance Committee approved the release of $94,847 of the $146,065 reserve to pay the salary and fringe benefits of two new positions which would assist in the implementation of the joint PPTS project between the Planning Department and DBI. There is a current reserve balance of $51,218 which is the total amount that the Planning Department is requesting to implement the final stages of the PPTS.

Based on a competitive Request for Proposal (RFP) process, the Planning Department and DBI awarded a contract to Accela-21 Tech, LLC, from September 2011 until September 2014 in an amount not-to-exceed $3,426,176 based on the cost of consultant services based on an estimated amount of 19,578 hours at an average hourly rate of $175.00. The subject requested reserve of $51,218 would pay for approximately 292 hours of consultant time, out of the estimated 19,578 hours in the contract mentioned above, at $175 per hour, to implement the final stages of the Permit and Project Tracking System.

Because the Planning Department has met the Budget and Finance Committee's condition for the release of reserves by entering into an agreement with DBI in 2008, which defines the Permit and Project Tracking System project sponsorship, the departments' responsibilities, timelines and resources, the Budget and Legislative Analyst recommends release of the requested reserve of $51,218.

RECOMMENDATION

Approve the requested release of reserved funds of $51,218.

Item 7 **File 13-0072**	**Department:** San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a new eight-year Airport Advertising Lease between the City, on behalf of the Airport and Clear Channel Outdoor Inc. dba Clear Channel Airports (Clear Channel), with a Minimum Annual Guarantee (MAG) of $10,000,000.

Key Points

- Clear Channel currently has an existing 12-year lease, which expires on March 31, 2013, to provide advertising services at 286 locations in the Airport. Under this existing lease, Clear Channel pays the Airport the greater of (a) 70% of gross revenues or (b) a MAG, which is adjusted each year. Over the 12-year term of the existing lease, Clear Channel will pay the Airport a total of $72,233,621.
- In July of 2012, the Airport issued a Request for Proposal (RFP) to provide advertising services at up to 300 locations in the Airport. On September 5, 2012, the Airport received three proposals from (a) JC Decaux N.A., Inc., (b) Titan Outdoor, LLC and (c) Clear Channel Outdoor, Inc. An evaluation panel determined that Clear Channel was the highest ranking responder.

Policy Consideration

- On October 17, 2012, JC Decaux Airports, Inc. filed a written protest of the award of the subject lease agreement between the Airport and Clear Channel, which, the Airport Commission rejected on October 30, 2012. On February 8, 2013, JC Decaux filed another written protest with the City Attorney's Office and the President of the Board of Supervisors.

Fiscal Impacts

- Under the proposed lease, Clear Channel would be required to pay the Airport rent equal to a MAG of $10,000,000 or $833,333 per month, or a total MAG of $80,000,000 over the eight-year term. Each year, the MAG would be adjusted by the Consumer Price Index.
- Under the existing Clear Channel lease, the percentage of gross revenues rent exceeded the MAG rent in five of the last 11 years, or over 45% of the time. As a result, the Airport realized additional rent revenues of $5,571,141 which exceeded the MAG rent. It should be noted that gross advertising revenues realized by Clear Channel increased from $8,137,767 in FY 2005-06 to $13,000,000 in FY 2012-13, an increase of $4,862,233 or approximately 60% over eight years, which is the same term of the proposed new advertising lease.
- However, under the proposed lease, there are no provisions for Clear Channel to pay percentage of gross revenue rent to the Airport. Under the proposed lease, Clear Channel would only be required to pay the Airport a MAG of $10,000,000, which would be adjusted annually by a COLA. Therefore, the proposed lease would be unlike the existing lease with Clear Channel, and unlike nearly every other Airport lease, which requires rent payable to the Airport based on a percentage of gross revenues or the MAG, whichever is higher.
- Approval of this lease would therefore preclude the Airport from benefitting from increased advertising sales made by Clear Channel and therefore preclude the Airport from participating in higher percentage rent in the future.

- Even if additional advertising locations are not added, Clear Channel will likely realize significant additional gross advertising revenues over the 8-year term of the proposed lease. Under the proposed lease, such additional advertising revenues would not be shared with the Airport, because a percentage of gross revenue rent is not included.

- In the professional judgment of the Budget and Legislative Analyst, the elimination of the requirement to pay percentage rent to the Airport, if such percentage rent exceeds the Minimum Annual Guarantee, is not in the best interests of the City.

Recommendation

- Continue the proposed resolution and request the Airport to incorporate a percentage of gross revenues rent provision in any new proposed advertising lease, similar to the percentage of gross revenues rent provision which is contained in the existing advertising lease with Clear Channel.

MANDATE STATEMENT AND BACKGROUND

Mandate Statement

Charter Section 9.118(c) requires that any lease having anticipated revenue of $1,000,000 or more be subject to approval of the Board of Supervisors.

Background

On February 16, 2001, based on the results of a Request for Proposal (RFP) process in which the Airport received only one proposal, the Board of Supervisors approved a lease agreement between the Airport and Clear Channel Outdoor, Inc. (Clear Channel)[1] for the five-year term from April 1, 2001 through March 31, 2006, including three one-year options to extend the term through March 31, 2009 at the discretion of the Airport Commission (File 00-2145). Under the original lease agreement, Clear Channel paid the Airport annual rent equal to the greater of (a) 70% of Clear Channel's annual gross advertising revenues, or (b) a Minimum Annual Guarantee (MAG) of $4,050,000 beginning in 2001, with annual adjustments thereafter, for the right to advertise on 85 Airport locations.

On August 23, 2002, the Board of Supervisors approved Amendments 1 and 2 (File 02-1230), which among other provisions, (a) provided an additional five-year extension of the lease, from April 1, 2006 through March 31, 2011 under the Concession Support Program[2], (b) revised the

[1] The original lease agreement was between the Airport and Transportation Media, Inc., which was subsequently sold to Clear Channel.

[2] Under the Airport's Concession Support Program, the Airport suspended the Minimum Annual Guarantee for 43 Airport concession lessees that experienced declines in business due to reduced levels of air travel from the events of September 11, 2001. Under this Program, 42 lessees were also granted five-year extensions to their leases in order to allow more time for these lessees to recoup their initial capital investments.

MAG annual adjustment calculations and schedule, and (c) added 240 advertising locations, for a total of 325 Airport advertising locations. According to Ms. Gigi Ricasa, Senior Property Manager for the Airport, based on provisions in the existing lease, in January of 2011, Clear Channel surrendered 39 advertising locations in the rental car center, parking garages, and various arrival corridors because Clear Channel was having difficulty selling advertising on these spaces and there were restrictions due to Airport operations. Clear Channel surrendered the 39 advertising locations in exchange for fewer, but higher-profile advertising locations in the terminal lobbies, and the International Terminal boarding areas, resulting in a revised total of 286 advertising locations in the Airport, or approximately 11,700 square feet of advertising space. Although the Airport reduced the number of advertising locations from 325 to 286, or 39 fewer advertising locations, because the new locations were higher-profile locations, the required MAG annual payments to the Airport were not adjusted. In FY 2012-13, Clear Channel is required to pay the Airport a MAG of $7,937,218.

On December 21, 2010, the Airport Commission approved the first option to extend the advertising lease agreement with Clear Channel by one year from April 1, 2011 through March 31, 2012. On July 19, 2011, the Airport Commission approved the second option to extend the advertising lease agreement with Clear Channel by one additional year from April 1, 2012 through March 31, 2013. Although the original lease agreement included three one-year options to extend the lease at the discretion of the Airport Commission, the Airport decided to issue a Request for Proposal (RFP) for a new advertising lease agreement, instead of exercising the last one-year option.

In July of 2012, the Airport issued a RFP for advertising in the Airport's terminals, including the lobby, concourses and boarding areas on the departure and arrival levels, and specified areas in the parking connectors (tunnels that connect the Airport terminal buildings to the parking garages), Air Train bridges and stations, and the Rental Car Center, for a total of up to 300 locations, or 14 more than the existing 286 advertising locations. On September 5, 2012, the Airport received three proposals from (a) JC Decaux N.A., Inc., (b) Titan Outdoor, LLC and (c) Clear Channel Outdoor, Inc. Both JC Decaux N.A., Inc. and Titan Outdoor, LLC proposed MAGs of $8,500,000 and Clear Channel Outdoor, Inc. proposed a MAG of $10,000,000. A three-person evaluation panel, consisting of an Airport staff marketing manager, private architect/designer and a San Francisco State University marketing professor, reviewed the proposals and determined that Clear Channel was the highest ranking responder.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new eight-year Airport Advertising Lease between the City, on behalf of the Airport and Clear Channel Outdoor Inc. dba Clear Channel Airports, with no options to extend, and a Minimum Annual Guarantee of $10,000,000 payable by Clear Channel to the Airport.

Although the Airport anticipates that the proposed new eight-year advertising lease would commence April 1, 2013 and extend through March 31, 2021, under the proposed lease, Clear Channel must first refurbish, redecorate and modernize the interiors and exteriors of the advertising spaces at Clear Channel's expense, prior to commencement of the operating term of the lease. Completion of such capital improvements could extend for up to 180 days, or six months. Therefore, the subject advertising lease could actually commence on October 1, 2013 and extend through September 30, 2021. However, during this initial refurbishment period, Clear Channel would be responsible for paying the Airport advertising revenues equal to $833,333 per month, or $10,000,000 annually.

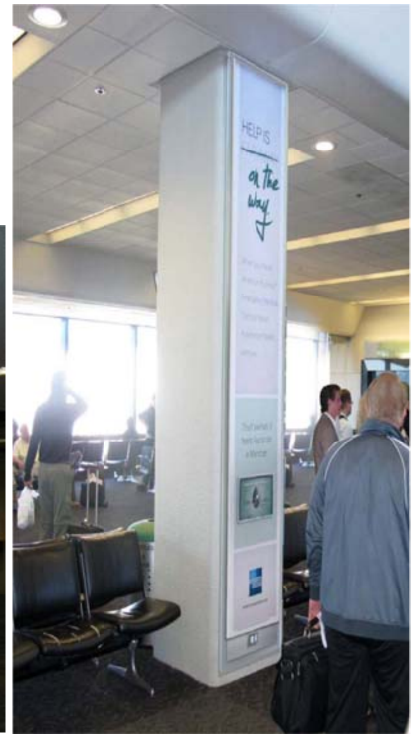
In addition, at the mid-term of the proposed lease, or after the fourth anniversary in 2017, Clear Channel would again be responsible for refurbishing, redecorating and modernizing the interior and exterior advertising spaces at Clear Channel's expense. Although the proposed lease does not specify a required dollar amount that Clear Channel must invest in order to complete either the initial or mid-term capital improvements, the lease specifies that the amount of such capital improvements be sufficient to conform to the Airport's design standards, as approved by the Airport's Design Review Committee[3].

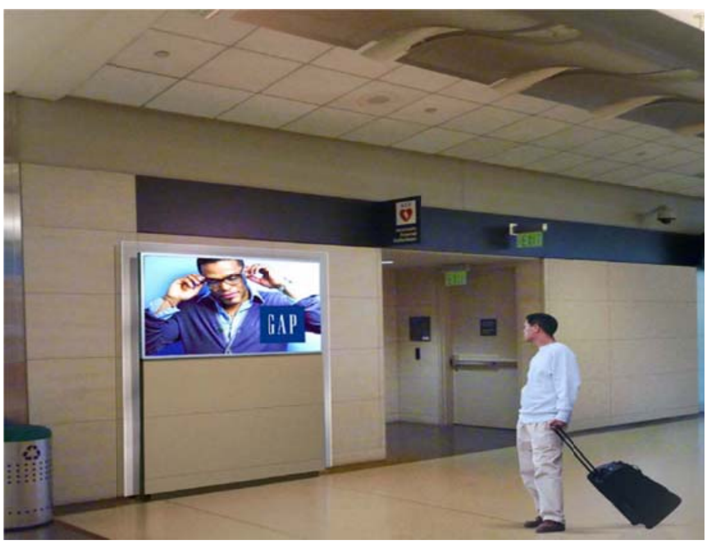
Although the RFP allowed for up to 300 advertising locations, under the proposed lease, Clear Channel would be responsible for installing, managing, operating and maintaining a total of 179 commercial advertising displays in specified locations in the Airport, as approved by the Airport Director, at Clear Channel's sole expense. In accordance with the proposed lease, Clear Channel must (a) deposit an amount equal to one-half of the current MAG, as adjusted, or $5,000,000 in the first year, and (b) use reasonable commercial efforts to occupy at least 75% of all Airport advertising spaces and charge an average minimum rate equal to or exceeding $2,500 per month for each advertising display.

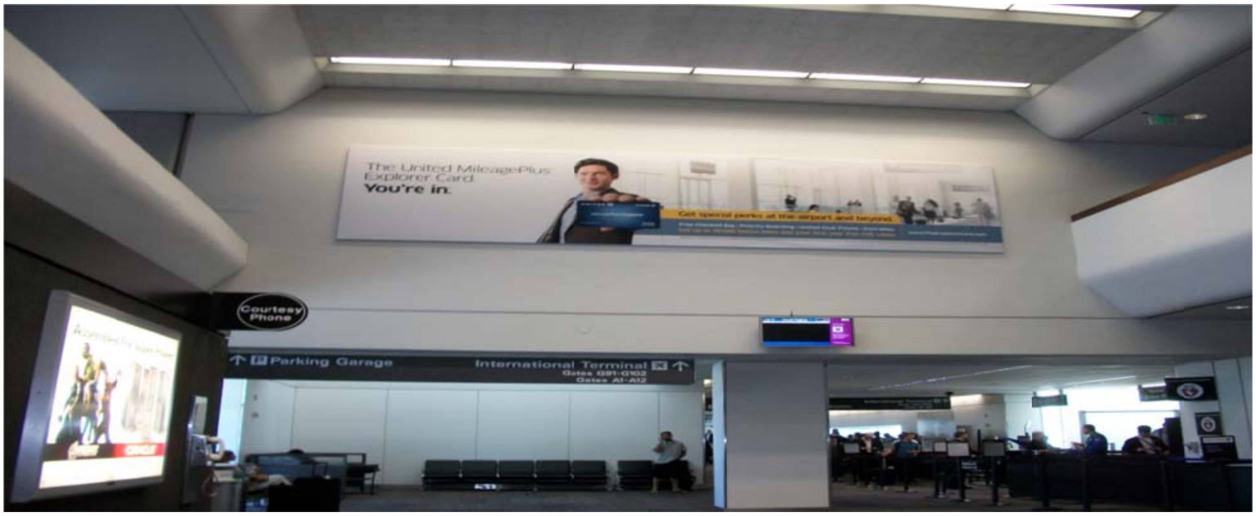
As shown below and on the following pages, Clear Channel plans to use various types of media advertising, including digital displays, dioramas, column facades, wall wraps and other type of advertising displays. All advertising content must be in compliance with the requirements of the Airport's Advertising Standards Policy, as shown in Attachment I to this report. The proposed lease specifically states that tobacco or alcoholic beverage advertising would not be allowed at the Airport.

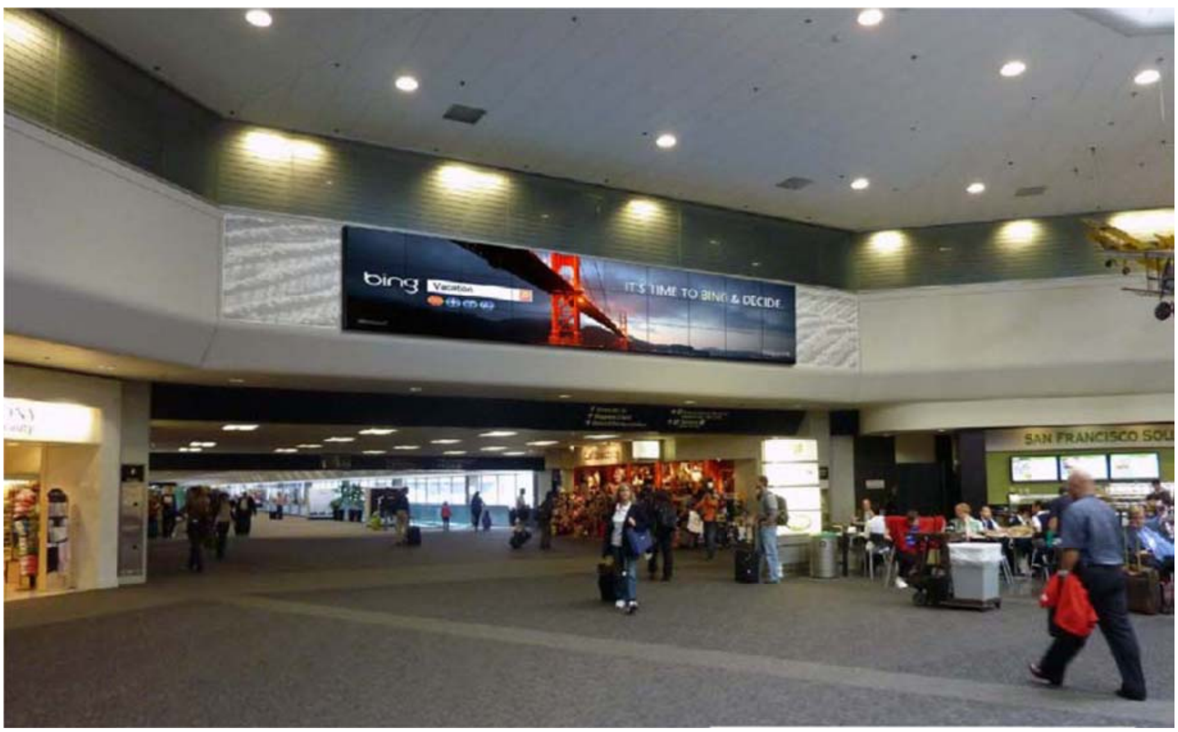
[3] The Airport's Design Review Committee is comprised of three members appointed by the Airport Director, which currently includes the Airport's staff architect, one private design consultant and one private architect. The Airport's Design Review Committee is responsible for reviewing all tenant facilities that are in public view.


KONA
Innovate Fearlessly


HELP IS
on the way


GAP





Under the proposed lease, Clear Channel would be required to pay the Airport rent equal to a Minimum Annual Guarantee (MAG) of $10,000,000 or $833,333 per month or a total MAG of $80,000,000 over the eight-year term. Each year, the MAG would be adjusted by the Consumer Price Index[4] on the anniversary date of the commencement of the lease. However, the proposed lease provides that in no year, may the adjustment result in a lower MAG than the prior year, unless the total number of square feet of advertising is reduced by greater than 10%.

[4] The Consumer Price Index would be the Department of Labor's, Bureau of Labor Statistics for All Urban Consumers-Not Seasonally Adjusted-San Francisco/Oakland/San Jose, California.

Given the current and future renovation and construction projects at the Airport, the proposed lease also provides that the Airport Director may require Clear Channel to add, eliminate or relocate advertising installations and equipment at Clear Channel's sole expense, based on the structural and operational needs of the Airport. However, if such changes directed by the Airport are greater than 10% of the total advertising display square footage, the MAG would be adjusted to reflect such pro rata changes in square footage advertising space.

As noted above, Clear Channel currently advertises on 286 locations, comprising approximately 11,700 square feet of advertising space. Under the proposed lease, Clear Channel would advertise on a total of 179 locations, comprising approximately 8,100 square feet of advertising space. Therefore, the proposed agreement provides for 107 (286 less 179) fewer locations and 3,600 less square feet of advertising space in the Airport. However, Ms. Ricasa notes that the actual square footage of advertising space under the proposed lease may change depending on the specific type of advertising displays approved and installed in each location.

POLICY CONSIDERATIONS

On October 17, 2012, JC Decaux Airports, Inc. filed a written protest of the award of the subject lease agreement between the Airport and Clear Channel. Mr. David Serrano Sewell, Deputy City Attorney advises that JC Decaux's two main contentions were that (a) the methodology used by the Airport to allocate points for the MAG proposals did not conform to the RFP, and (b) Clear Channel's MAG offer of $10,000,000 was commercially unreasonable and should be rejected as a financially irresponsible offer. On October 30, 2012, the Airport Commission rejected this protest and approved a resolution (Resolution No. 12-0231) awarding the subject Airport Advertising lease to Clear Channel Outdoor Inc. dba Clear Channel Airports.

On February 8, 2013, JC Decaux filed another written protest with the City Attorney's Office and the President of the Board of Supervisors challenging the award of the subject lease agreement between the Airport and Clear Channel. According to Mr. Jon Givner of the City Attorney's Office, under Charter Section 9.118, the Board of Supervisors has the authority to approve or disapprove the subject lease, but cannot amend the resolution to award the lease to JC Decaux, as JC Decaux has requested in its protest. Mr. Givner further advises that the Board of Supervisors is not responsible for considering bid protests on the subject lease.

FISCAL IMPACTS

The Table below identifies the MAG, gross revenues received by Clear Channel, the calculated 70% of gross revenues and the total annual payments made by Clear Channel to the Airport for each of the past 12 years under the existing advertising agreement.

Table: Clear Channel Annual Payments to the Airport under the Existing Advertising Agreement

Lease Year	Period	Minimum Annual Guarantee (MAG)	Gross Revenues	70% of Gross Revenues	Total Annual Rent Payments to Airport
Lease Year 1	4/1/2001 - 9/10/2001	$4,050,000	$301,533	$211,073	$1,800,000[5]
Lease Year 1	9/11/2001 – 3/31/2002	No MAG[6]	813,231	569,262	569,262*
Lease Year 2	4/1/2002 – 3/31/2003	4,100,000	2,705,591	1,893,914	4,100,000
Lease Year 3	4/1/2003 – 3/31/2004	4,300,000	3,758,400	2,630,880	4,300,000
Lease Year 4	4/1/2004 – 3/31/2005	4,800,000	6,427,376	4,499,163	4,800,000
Lease Year 5	4/1/2005 – 3/31/2006	5,700,000	8,137,767	5,696,437	5,700,000
Option Year 1	4/1/2006 – 3/31/2007	5,850,000	9,751,660	6,826,162	6,826,162*
Option Year 2	4/1/2007 – 3/31/2008	6,009,000	9,250,167	6,475,117	6,475,117*
Option Year 3	4/1/2008 – 3/31/2009	6,176,000	9,055,968	6,339,178	6,339,178*
Option Year 4	4/1/2009 – 3/31/2010	6,351,000	7,577,241	5,304,069	6,351,000
Option Year 5	4/1/2010 – 3/31/2011	6,535,000	8,344,321	5,841,025	6,535,000
Extension Year 1	4/1/2011 – 3/31/2012	6,535,000	13,339,861	9,337,902	9,337,902*
Extension Year 2	4/1/2012 – 3/31/2013	7,937,218	13,000,000[7]	9,100,000	9,100,000*
Total					**$72,233,621**

*Percentage of Gross Revenues Rent exceeded the Minimum Annual Guarantee.

As shown in the Table above, under the existing 12-year lease which will expire on March 31, 2013, Clear Channel will pay the Airport a total of $72,233,621, with such annual rent revenues paid by Clear Channel to the Airport generally increasing each year. In addition, as shown in the Table above, beginning in Lease Year 2, (which excludes the first year due to the suspension of the MAG), the percentage of gross revenues rent exceeded the Minimum Annual Guarantee rent in five of the 11 years, over 45% of the time. As a result, the Airport realized additional rent revenues of $5,571,141 compared to the MAG.

However, under the proposed lease, Clear Channel would not pay either a percentage of gross revenues or a MAG, whichever is higher. Instead, under the proposed lease, Clear Channel would only pay the Airport a MAG of $10,000,000, which would be adjusted annually by a COLA. Ms. Ricasa advises that the Airport cannot estimate future annual COLAs, and is therefore conservatively projecting that Clear Channel would pay the Airport a total MAG rent of $80,000,000 over the eight-year term of the subject advertising lease.

According to Ms. Ricasa, the recent RFP included only a MAG rent in order to increase competition for the Airport's subject advertising lease and to communicate the Airport's intent to not expand to additional advertising locations. Ms. Ricasa advises the Airport wants to minimize visual clutter and advertising at multiple locations in the Airport in order to enhance the Airport customer's experience. In contrast, Ms. Ricasa advises that the Airport felt that a percentage rent

[5] The annual MAG in Lease Year 1 was $4,050,000. There are 162 days between April 1, 2001 and September 10, 2001, such that 162 days of $4,050,000 is $1,797,534, which the Airport rounded up to $1,800,000.
[6] The MAG was suspended due to Amendments No. 1 and 2 resulting from events from September 11, 2001.
[7] Projected 2012-2013 gross revenues based on actuals received to date.

structure would incentivize the lessee to pursue additional advertising locations in order to obtain higher revenues.

In addition, the Airport provided a memorandum dated February 28, 2013, shown as Attachment II to this report, to further explain why the Airport included a MAG-only rent structure, and did not also include a percentage of gross revenue rent, whichever is higher, as is contained in the existing lease with Clear Channel.

In response to the Airport's memorandum, the Budget and Legislative Analyst believes the Airport should require the advertising contractor to devise a system which enables the Airport to accurately and easily audit the gross advertising receipts that are attributable to San Francisco's Airport, in order to calculate a percentage of gross revenues. It should be noted that the existing lease with Clear Channel does provide for a percentage of gross revenue rent. In fact, not only have audits been conducted of such gross receipts, but also as noted above, the percentage of gross revenue rent paid to the Airport by Clear Channel exceeded the Minimum Annual Guarantee rent in five of the last 11 years, or over 45% of the time, which resulted in an additional $5,571,141 of revenue to the Airport.

In addition, although the Airport states in their memorandum that proposers will "tend to submit a lower MAG when a percentage rent is included", there is no documentation to substantiate that statement. In fact, if that were true, the Budget and Legislative Analyst questions why the Airport has had hundreds of leases in the past and presently has numerous leases which do incorporate both the percentages of gross revenues and the MAG. Our recommendation to require a percentage of gross revenues payable to the Airport addresses the increased gross revenues that the advertising contractor would receive without any sharing of such increased revenues with the Airport, because the existing MAG will only protect the Airport from downturns in the economy, but not from increases in the economy.

There is nothing contained in the written response from the Airport to the Budget and Legislative Analyst's draft report that would cause the Budget and Legislative Analyst to withdraw our recommendation that the Airport should incorporate a provision in this proposed advertising lease which requires the lessee to pay the Airport a percentage of gross revenues or the MAG in rent, whichever is higher.

In addition, the Airport could not identify other Airport leases that specifically contain a MAG, which do not also require an annual percentage of gross revenue rental payments, whichever is higher[8]. Mr. John Martin, the Airport Director acknowledges that it is standard for other Airports to charge lease rental revenues based on a percentage of gross revenue or the MAG, whichever is higher. In addition, given that the proposed lease would extend for eight years, and the rates that Clear Channel will charge to advertising customers will likely increase significantly over the 8-year period, the likely gross revenues to be realized by Clear Channel from advertising at the Airport will also likely increase significantly over the 8-year lease term. As shown in the Table above, gross advertising revenues realized by Clear Channel increased from $8,137,767 in FY 2005-06 to $13,000,000 in FY 2012-13, an increase of $4,862,233 or nearly 60% over eight years, which is the same term of the proposed new advertising lease.

[8] The Airport noted that it has one lease for cellular service equipment site leases which has flat rental rates.

Even if additional advertising locations are not added, Clear Channel will likely realize significant additional gross advertising revenues over the 8-year term of the proposed lease. Under the proposed lease, such additional advertising revenues would not be shared with the Airport, because a percentage of gross revenue rent is not included. Therefore, the proposed resolution should be continued by the Board of Supervisors, to allow the Airport sufficient time to incorporate a percentage of gross revenue rent provision, together with the MAG, in the subject advertising lease, similar to what is contained in the existing advertising lease with Clear Channel.

In summary:

- Under the existing Clear Channel lease, the percentage of gross revenues rent exceeded the MAG rent in five of the last 11 years, or over 45% of the time. As a result, the Airport realized additional rent revenues of $5,571,141 which exceeded the MAG rent. It should be noted that gross advertising revenues realized by Clear Channel increased from $8,137,767 in FY 2005-06 to $13,000,000 in FY 2012-13, an increase of $4,862,233 or approximately 60% over eight years, which is the same term of the proposed new advertising lease.
- However, under the proposed lease, there are no provisions for Clear Channel to pay percentage of gross revenue rent to the Airport. Under the proposed lease, Clear Channel would only be required to pay the Airport a MAG of $10,000,000, which would be adjusted annually by a COLA. The Airport points out that the 10,000,000 MAG exceeds the highest percentage rent revenues $9,337,902 in FY 2011-12 under the existing lease with Clear Channel. However, the Budget and Legislative Analyst points out that percentage rent has exceeded the MAG in the past and can continue to do so in the future. Therefore, the proposed lease would be unlike the existing lease with Clear Channel, and unlike nearly every other Airport lease, which requires rent payable to the Airport based on a percentage of gross revenues or the MAG, whichever is higher.
- Approval of this lease would therefore preclude the Airport from benefitting from increased advertising sales made by Clear Channel and therefore preclude the Airport from participating in higher percentage rent in the future.
- Even if additional advertising locations are not added, Clear Channel will likely realize significant additional gross advertising revenues over the 8-year term of the proposed lease. Under the proposed lease, such additional advertising revenues would not be shared with the Airport, because a percentage of gross revenue rent is not included.
- In the professional judgment of the Budget and Legislative Analyst, the elimination of the requirement to pay percentage rent to the Airport, if such percentage rent exceeds the Minimum Annual Guarantee, is not in the best interests of the City.

RECOMMENDATION

Continue the proposed resolution and request the Airport to incorporate a percentage of gross revenues rent provision in any new proposed advertising lease, similar to the percentage of gross revenues rent provision which is contained in the existing advertising lease with Clear Channel.

AIRPORT ADVERTISING STANDARDS

The following is the Airport Advertising Standards Policy, approved by the Airport Commission on June 6, 2000. Tenant must abide by the Airport Advertising Standards Policy, as amended from time to time.

1. Three weeks prior to posting, all proposed and advertising graphic designs shall be submitted to the Director or his designee for review and approval. T he designs must be submitted in sufficient detail to determine the content and final general appearance of the advertisement.

2. Any advertisement that does not comply with the standards as set forth by the Airport in #4, shall be rejected.

3. The subject matter of all advertising shall be limited to those advertisements which propose a commercial transaction. ("Commercial Transaction" does not include political or religious views.)

4. Advertisements may not be displayed which:

   a. Advertise alcohol or tobacco products

   b. Relate to an illegal activity

   c. Depict violence or contain words or images that arouse anger, alarm or resentment in others

   d. Advertise services in direct competition with the Airport's business objectives

   e. Contain obscene matter as that term is defined in California Penal Code § 311(a) or contain statements or words of an obscene, indecent or immoral character, or any picture or illustration of the human figure in such detail as to offend public morals or decency.

   f. Are false, misleading or deceptive

   g. Relate to gambling

   h. Contain material that is offensive to the ordinary person.

SFO

San Francisco International Airport

February 28, 2013

Mr. Harvey Rose
Budget Analyst Office
1390 Market Street, Suite 1025
San Francisco, CA 94102

Dear Mr. Rose:

The Airport made the business and policy decision to pursue a MAG-only rent structure under the RFP for the Advertising Lease in order to achieve the highest possible MAG. The following explains why we took this approach:

- San Francisco is a high value market which commands higher revenue for nation-wide contracts. However, advertisers allocate revenue based on the enplanements at various airports. Therefore, we are credited with less advertising sales than the true value of having the advertising at SFO. Large brands will buy a multi-airport campaign in order to get advertising at SFO, not at the smaller airports.
- Because of SFO's high-value market, we believe a MAG-only proposal fosters greater competition in the submission of MAG amounts and in the number of proposals. Previously, when the RFP for the current lease was conducted, which included the greater of MAG or percentage, only one proposal was received with a MAG of $4,050,000 million. This time, under the MAG-only approach, we received three proposals and the highest MAG offered was $10 million which is $1.5 million more than the other two proposals and $3 million more than the minimum bid amount. We received the highest possible revenue with MAG-only rent instead of a MAG or percentage rent. Proposers will tend to submit a lower MAG when a percentage rent is included.
- The percentage rent structure incentivizes a tenant to seek additional new locations. This is validated by the Airport's experience in managing the current lease. The Airport purposefully reduced the number of advertising locations in the RFP, and the winning proposer sought 179 locations, further reducing visual clutter and providing the best passenger experience. We do not want to encourage more locations.
- By offering a MAG-only lease that encouraged MAG amount competition, the high MAG locks in an amount that the Airport can count on for the term of the contract, regardless of marketing trends. Social Media and other non-traditional advertising platforms are moving advertising dollars away from standard wall graphics. In addition, unstable economic conditions often affect advertising dollars first. In the event of an economic downturn, we prefer to have a higher MAG achieved through a MAG-only RFP, rather than having a lower MAG under the MAG or percentage rent structure RFP.

Post Office Box 8097 San Francisco, California 94128 Tel 650.821.5000 Fax 650.821.5005 www.flysfo.com

- The potential for increasing the revenue generated by percentage rent, as was realized over the last five years, is not feasible given the reduction in locations. As noted, the winning proposal reduces the number of locations to 179, a reduction from the current lease of 278 locations. Additional locations will not be added. After careful analysis with the Design Review Committee and Marketing, Museum and Operations staff, we believe these locations provide the appropriate balance between revenue generating opportunities while still maintaining the highest standards in providing for a positive passenger experience.
- MAG-only rent is not unique to SFO. Other airports and their MAG-only rents for their advertising leases are: Seattle ($5 million); Washington National ($3.75 million); Phoenix ($2.7 million); and San Diego ($1.8 million). In comparison, the MAG-only submission of $10 million at SFO illustrates the high value of the SFO market and why allocation of nation-wide advertising contracts based on enplanements penalizes SFO.
- MAG rent avoids the very difficult process of auditing nationwide advertising campaigns due to the nature of these contracts. Besides the biased nature of the allocation method; other complications such as duration of campaigns at each airport make auditing problematic.

Please let me know if I can provide any additional information.

Sincerely,

Leo Fermin
Deputy Airport Director
Business and Finance

Item 8 **File 12-1211**	**Department:** City Administrator

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would (1) amend Section 14B.16 of the Administrative Code to rescind the sunset provision of the Surety Bond Program, which is scheduled to sunset on June 30, 2013, (2) amend Administrative Code Section 14B.16 to reflect the transfer of the Surety Bond Program's administrative functions from the Human Rights Commission to the City Administrator's Office, and (3) delete Section 14B.16(A)(7), which sets forth a reporting and legislative drafting requirement that expired in 2009.

Key Points

- The San Francisco Bonding and Financial Assistance Program, commonly referred to as the "Surety Bond Program," was established by the Board of Supervisors in April 1994 and is scheduled to sunset on June 30, 2013. The proposed ordinance would rescind the sunset provision, thus making the Surety Bond Program a permanent program.
- The Surety Bond Program encourages surety bond companies to issue surety bonds to certified local business enterprises (LBEs) by guaranteeing up to 40 percent of the surety bond amount, up to a maximum guarantee of $750,000 per bond. Obtaining surety bonds, which contractors submitting bids for City public works contracts are required to do under Section 6.21 of the Administrative Code and the California Public Contract Code, is a barrier to City contracting opportunities that typically disproportionately affects small, minority-owned, and woman-owned local contractors.
- According to Mr. Matt Hansen, Director of Risk Management in the City Administrator's Office, the Surety Bond Program is no longer temporary in nature and should not be subject to a sunset date that requires subsequent extension by ordinance of the Board of Supervisors. Mr. Hansen advises that extending rather than rescinding the sunset provision would add additional unnecessary costs to the Surety Bond Program in the future.

Fiscal Impact

- Approval of the proposed ordinance would result in additional ongoing costs to the City to administer the Program after June 30, 2013, projected at $740,000 for FY 2013-14. Such costs would continue to be funded by each City Department with public works contracting authority. The cost of making the Surety Bond Program permanent may be partially offset by contract savings based on lower bids submitted by participating LBEs. Because of lower contract bids received by the City as a result of providing surety bonds guarantee for LBEs, the average annual contract cost savings to the City between FY 2008-09 and FY 2011-12 was $326,807.

Recommendation

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

MANDATE STATEMENT / BACKGROUND

Mandate Statement

In accordance with Section 2.105 of the City's Charter, any amendments to the Administrative Code must be approved by ordinance of the Board of Supervisors.

Background

The San Francisco Bonding and Financial Assistance Program, commonly referred to as the "Surety Bond Program," was established by the Board of Supervisors in April 1994, originally as the Bonding Assistance Program, to encourage private surety bond companies to issue surety bonds to certified Local Business Enterprises (LBEs) bidding on construction projects at San Francisco International Airport. A surety bond is a form of insurance that insures the City against losses in the event of a contractor defaulting on its agreement with the City.[1] Section 6.21 of the Administrative Code and the California Public Contract Code require contractors that bid on City construction contracts to obtain such surety bonds. Obtaining surety bonds is a barrier to City contracting opportunities that typically disproportionately affects small, minority-owned, and woman-owned local contractors.

On July 14, 1997, the Board of Supervisors approved an ordinance expanding the Surety Bond Program to provide financial assistance to LBEs in addition to bonding assistance, thus renaming the program the Bonding and Financial Assistance Program, and expanding the program to include all City departments authorized to contract for public works (File 97-97-25). The Surety Bond Program has since been extended three times, as shown in Table 1 below. Most recently, on June 10, 2008, the Board of Supervisors extended the Surety Bond Program to June 30, 2013 (File 08-0591). Without approval of the proposed ordinance, the Surety Bond Program would end on June 30, 2013.

Table 1: Ordinances Establishing and Extending the Surety Bond Program

Date	File No.	Sunset Date
Apr. 1994	183-94[2]	N/a
July 1997	97-97-25	June 30, 2000
July 2000	00-1105	None
Oct. 2000	00-1353	June 30, 2005
May 2003	03-0347	June 30, 2008
June 2008	08-0591	June 30, 2013

The Surety Bond Program encourages surety bond companies to issue surety bonds to certified LBEs by guaranteeing up to 40 percent of the surety bond amount, up to a maximum guarantee

[1] These surety bonds include (a) Bid Bonds that indemnify the City in case the bidding contractor does not bid in good faith or does not enter into a City awarded contract (a bid bond would cover the City's costs of reissuing a Request for Bids), (b) Performance Bonds that indemnify the City in case a contractor does not execute a contract in accordance with the terms of the contract (a performance bond would cover the full contract amount), and (c) Payment Bonds that indemnify the subcontractors, laborers and material suppliers associated with the project in case the contractor does not pay its subcontractors, laborers and material suppliers.

[2] The file number is unknown. 183-94 is the ordinance number.

of $750,000 per bond. In the event the surety bond company must pay out the surety bond, the City reimburses the surety bond company up to 40 percent (up to a maximum guarantee of $750,000) of the surety bond amount, thus partially mitigating the surety bond company's losses.

On November 18, 2008, the Board of Supervisors established the San Francisco Self-Insurance Surety Bond Fund in the amount of $2,000,000. Each City department with public works contracting authority contributed to the Fund in proportion to its total capital and improvement appropriations. The Self-Insurance Surety Bond Fund allows for up to $5,000,000 in surety bond guarantees[3] at any time through an agreement with Union Bank, which issues a Letter of Credit to back each surety bond that the City guarantees under the Program. In the event that the surety bond company is required to pay the surety bond to the City, Union Bank would pay the surety bond company the City's guarantee, the City would repay Union Bank the same amount from the Self-Insurance Surety Bond Fund, and the City department that awarded the contract to the defaulting LBE would be responsible for replenishing the Self-Insurance Surety Bond Fund in the amount disbursed from the Fund.

Ongoing Program Costs and Funding Sources

The operations of the Surety Bond Program are funded by each City department with public works contracting authority, through work orders to the City Administrator's office proportional to each department's total capital and improvements appropriations. Table 3 below shows the percentages of the total Surety Bond Program costs each department is currently required to pay, and the amount of each department's work order to the City Administrator's Office for fiscal year (FY) 2012-13.

Table 3: Surety Bond Program FY 2012-13 Funding

Department	Portion	FY 12-13 Work Order
Airport	15%	$110,387.48
Port Commission	7%	47,893.35
SF Municipal Transit Agency (MTA)	15%	110,387.48
Public Utilities Commission (PUC)	37%	275,970.64
Recreation and Parks (RPD)	7%	55,193.09
Department of Public Works (DPW)	15%	110,388.77
Administrative Services	4%	27,597.19
Total Costs to the City for Obtaining Surety Bonds for LBEs		**$737,818.00**

Sources: City Administrator

Table 4 below shows the total annual expenditures of the Surety Bond Program for FY 2008-09 (when the Surety Bond Program was last extended) through FY 2012-13 for each of the Program's three major cost components: (1) City salary and fringe benefit costs, (2) administrative consultant fees, and (3) program-related fees including Letter of Credit issuance fees, Certified Public Accountant fees, and Third Party Funds Administrator fees. The decrease in salary and fringe benefits between FY 2009-10 and FY 2011-12 is due to a decrease from 4 full-time equivalent (FTE) positions in FY 2009-10, to three FTEs in FY 2010-11, to one FTE in FY 2011-12.

[3] The $2,000,000 Fund can reimburse up to $5,000,000 (or 40 percent) of surety bond guarantees.

Table 4: Surety Bond Program Annual Expenditures

Year	City Salary and Fringe Benefits	Administrative Consultant Fees	Program-related Fees	Total
FY 08-09	$313,248	$260,246	$21,872	$595,366
FY 09-10	398,687	262,885	46,934	708,506
FY 10-11	261,342	323,895	59,350	644,587
FY 11-12	155,702	438,396	83,455	677,553
FY 12-13[4]	165,818	420,000	152,000	737,818
Five Year Total	**$1,294,797**	**$1,705,422**	**$363,611**	**$3,363,830**

Source: City Administrator, Human Rights Commission, Merriwether & Williams

Program Results

According to the Surety Bond Program's Administrative Consultant, Merriwether & Williams, retained by the City Administrator's Office, from its inception in 1994 until December 31, 2012, the Surety Bond Program has enabled LBEs to obtain Bid Bonds to cover $283,488,987 in City contract bids, of which successful LBE low bidders participating in the Program were awarded $82,408,476 in contracts. According to Mr. Hansen, these LBEs would have been unlikely to obtain surety bonds for these contracts without assistance from the Surety Bond Program.

Since FY 2008-09, the year the Surety Bond Program was last extended and the Self-Insurance Surety Bond Fund was established, the Program has resulted in 89 Bid Bonds covering $89,894,383 in City contract bids, and 27 Performance Bonds covering $29,797,011 in awarded contracts.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would (1) amend Section 14B.16 of the Administrative Code to rescind the sunset provision of the Surety Bond Program, which is scheduled to sunset on June 30, 2013, (2) amend Administrative Code Section 14B.16 to reflect the transfer of the Surety Bond Program's administrative functions from the Human Rights Commission to the City Administrator's Office, and (3) delete Section 14B.16(A)(7), which sets forth a reporting and legislative drafting requirement that expired in 2009. If the Board of Supervisors does not approve the proposed ordinance, the Surety Bond Program would end on June 30, 2013. Approval of the proposed ordinance would rescind the sunset provision, thus making the Surety Bond Program a permanent program

According to Mr. Hansen, the Surety Bond Program, which was originally implemented in 1994, is no longer temporary in nature and should not be subject to a sunset date that requires subsequent extension by ordinance of the Board of Supervisors. Mr. Hansen advises that extending rather than rescinding the sunset provision would add additional unnecessary costs to the Surety Bond Program in the future. According to Mr. Hansen, the terms of the Letters of Credit, which Union Bank issues to back the City's surety bond guarantees, cannot exceed the Program's sunset date. As a result, as the sunset date approaches, the City pays approximately the same Letter of Credit issuance fee rates for progressively shorter terms, and new Letters of

[4] FY12-13 expenditures are budgeted rather than actual.

Credit for ongoing surety bond guarantees have to be reissued after the sunset date is extended. In addition, the terms of the surety bond guarantees also cannot exceed the sunset date, which can make it more difficult for participating LBEs to obtain the surety bonds and requires the issuance of new surety bonds once the program is extended.

FISCAL IMPACT

Under current Administrative Code provisions, the Surety Bond Program will sunset on June 30, 2013, and the City would no longer incur any costs from administering the Surety Bond Program. If the proposed ordinance is approved, the June 30, 2013 sunset date would be rescinded and the Surety Bond Program would become permanent.

As discussed above, the Surety Bond Program has three major cost components: (1) City salary and fringe benefit costs, (2) administrative consultant fees, and (3) program-related fees including Letter of Credit issuance fees, Certified Public Accountant fees, and Third Party Funds Administrator fees. Table 5 below shows the City Administrator's projected FY 2013-14 budget, which approximates the ongoing cost to the City if the Board of Supervisors approves the proposed ordinance rescinding the sunset provision, thereby making the Surety Bond Program a permanent program. Such costs would continue to be funded by each City Department with public works contracting authority.

Table 5: Estimated Annual Costs of Surety Bond Program (FY 2013-14)

Salary and Fringe Benefits	$165,818
Administrative Consultant Fees	420,000
Program-related Fees	154,182
Total	**$740,000**

<u>Salary and Fringe Benefit Costs</u>

The Surety Bond Program has one position, the Contract Compliance Officer II, which transferred from the Human Rights Commission to the City Administrator's Office in the FY 2012-13 budget. According to Mr. Hansen, the responsibility of the Contract Compliance Officer is to conduct outreach to the LBE community in order to explain and encourage participation in the Surety Bond Program.

<u>Administrative Consultant Fees</u>

The City Administrator has a contract with Merriwether & Williams for administering the Surety Bond Program, which includes program education and outreach to LBEs, assisting LBE contractors in obtaining performance and payment bonds upon award of the bid, identifying issues that could result in bond payments, coordinating closeout of bond documents when a construction project reaches substantial completion, and assisting the City if an LBE contractor defaults, resulting in surety bond payments.

The contract between the City Administrator and Merriwether & Williams has a three-year term from October 1, 2010 through September 30, 2013 and an annual not-to-exceed amount of $531,555, or $1,594,665 over the three-year term. The City Administrator can exercise an option to extend the contract with Merriwether & Williams for up to two years until September 30, 2015, for the same annual not-to-exceed amount of $531,555.

Actual contract payments by the City to Merriwether & Williams were $323,895 in FY 2010-11 and $438,396 in FY 2011-12, and projected payments are $420,000 in FY 2012-13, totaling $1,182,291 in the three-year period from FY 2010-11 through FY 2012-13.

Program-related Fees

The City Administrator's projected annual cost for Letter of Credit issuance fees, Certified Public Accountant fees, and Third Party Funds Administrator fees, as shown in Table 5 above, is $154,182.

Offsetting Contract Cost Savings

As a shown in Table 6 below, based on information provided by Meriwether & Williams, the Surety Bond Program also generated $1,307,226 in City awarded contract savings between FY 2008-09 and FY 2011-12, based on the difference between low bids submitted by participating LBEs and the second lowest bids, thus partially offsetting the $2,626,012 cost to the City of operating the Surety Bond Program between FY 2008-09 and FY 2011-12.

Table 6: Annual Contract Savings and Net Cost of the Program

Year	Annual Savings	Annual Expenditures	Net Cost of Program
FY 2008-09	$112,112	($595,366)	($483,254)
FY 2009-10	351,382	(708,506)	(357,124)
FY 2010-11	613,512	(644,587)	(31,075)
FY 2011-12	230,220	(677,553)	(456,333)
Total	**$1,307,226**	**($2,626,012)**	**($1,318,786)**
Annual Average	**$326,807**	**($656,503)**	**($329,687)**

Sources: Merriwether & Williams, City Administrator, Human Rights Commission

As shown in Table 6 above, the average annual contract cost savings to the City between FY 2008-09 and FY 2011-12 was $326,807. Assuming an annual cost of $740,000 to the City for operating the Surety Bond Program, as estimated in Table 5 above for FY 2013-14, and continued average savings of $326,807, the annual net cost to the City of operating the Surety Bond Program would be approximately $413,193.

RECOMMENDATIONS

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

Item 9 File 13-0142	Department: Department on the Status of Women

EXECUTIVE SUMMARY

Legislative Objective

- Ordinance appropriating $118,107 of General Fund Reserve monies to the Department on the Status of Women for civil legal services and City staff training in domestic violence.

Key Points

- On February 26, 2013, the Board of Supervisors approved an amendment to the Annual Salary Ordinance and a supplemental appropriation ordinance totaling $631,893 of General Fund Reserve monies, including (a) $278,973 for the Department on the Status of Women, and (b) $352,920 for the District Attorney's Office, for domestic violence services (Files 12-1165 and 12-1166).

- The original supplemental appropriation request was for $750,000, but was reduced to $631,893, for a General Fund savings of $118,107. The proposed ordinance would appropriate this General Fund Reserve savings of $118,107 to the Department on the Status of Women for additional civil legal services and domestic violence training for City staff.

Fiscal Impacts

- If the proposed supplemental appropriation is approved, it would result in total expenditures of $719,537 in FY 2012-2013 (see Table 4 below) for five nonprofit organizations and the Department's training, an increase of $276,203 or 62% more than the current $443,334 FY 2012-13 funding for these organizations as previously appropriated by the Board of Supervisors. Comparing the FY 2011-12 level of General Fund costs of $396,470 to the proposed FY 2012-13 General Fund costs of $719,537, reflects an increase of $323,067 or 81% over this one-year period. Annualizing all of these FY 2012-13 General Fund costs totaling $719,537 for the five nonprofit organizations and the Department's training results in a projected FY 2013-14 General Fund total cost of $948,845 (see Table 5 below).

Policy Consideration

- The Department on the Status of Women will be conducting a comprehensive needs assessment of the City's domestic violence programs. Whether the recent and proposed supplemental appropriations should be fully annualized in FY 2013-14 should be more fully evaluated after the comprehensive needs assessment is completed, as part of the FY 2013-14 budget review, relative to the other budget needs and priorities of the Board of Supervisors.

Recommendation

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

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

The Department on the Status of Women's FY 2012-13 budget totals $3,819,856, with the General Fund comprising $3,609,856 or 95% of the budget and includes 4.7 full-time equivalent (FTE) staff, as shown in Table 1 below. As also shown in Table 1 below, City Grant Programs, consisting of allocations to nonprofit organizations, currently receive $3,028,924 of funding in FY 2012-13, or 79% of the Department's budget. The Attachment to this report, provided by Dr. Emily Murase, Executive Director of the Status of Women identifies the total $3,028,924 City Grant Program funding allocated to nonprofit organizations, the specific nonprofit organizations and the amount of funding received by each nonprofit organization. According to Dr. Murase, these nonprofit organizations were selected to receive three years of City grant funds through a Request for Proposals (RFP) process conducted by the Department on the Status of Women in 2011. These current nonprofit organization's grants extend from July 1, 2011 through June 30, 2014.

Table 1: Department of the Status of Women
FY 2012-13 Budget and Staff

Budget	**FY 2012-13**
Sources of Funds	
General Fund	$3,609,856
Marriage License Fees	210,000
Total Sources	**$3,819,856**
Uses of Funds	
Salaries	$450,740
Fringe Benefits	180,613
City Grant Programs	3,028,924
Services of Other Departments	119,004
Non-personnel/Materials & Supplies	40,575
Total Uses	**$3,819,856**
Existing Staff	**FTEs**
0961 Department Head I	1.0
1450 Executive Secretary I	1.0
1822 Administrative Analyst	.70
1824 Principal Administrative Analyst	.50
2998 Representatives	1.50
Total	**4.70**

Source: Annual Appropriation Ordinance and Annual Salary Ordinance

On February 26, 2013, the Board of Supervisors approved an amendment to the Annual Salary Ordinance (File 12-1165) to add (a) one new position to the Department on the Status of Women and (b) add nine new positions to the District Attorney's Office. In addition, on February 26, 2013, the Board of Supervisors approved a supplemental appropriation ordinance (File 12-1166) totaling $631,893 of General Fund Reserve monies, including (a) $278,973 for the Department on the Status of Women, and (b) $352,920 for the District Attorney's Office, as summarized in Table 2 below, for domestic violence services.

Table 2: Supplemental Appropriation from the General Fund Reserve for FY 2012-13 for the Department on the Status of Women and the District Attorney's Office

	FY 2012-13 Costs
Salaries	$36,903
Fringe Benefits	13,975
City Grant Programs	178,096
Outreach & Awareness Campaign	50,000
Subtotal for Status of Women	**$278,973**
Salaries	$259,286
Fringe Benefits	93,634
Subtotal for District Attorney	**$352,920**
Total	**$631,893**

This supplemental appropriation (File 12-1166) was originally requested for a total of $750,000 of General Fund Reserve monies, such that the Board of Supervisors approval of the above-noted $631,893 left a remaining balance of $118,107. This savings of $118,107 was referred by the Board of Supervisors to the Budget and Finance Committee on February 12, 2013.

DETAILS OF PROPOSED LEGISLATION

According to Dr. Murase, if the proposed supplemental appropriation ordinance for $118,107 of General Fund Reserve monies is approved by the Board of Supervisors for the Department on the Status of Women, the Department would allocate the funds to five nonprofit organizations and for training of City staff as shown in Table 3 below.

Table 3: Requested Additional Status of Women Funding in FY 2012-13

1-Bar Association of SF – CROC*	$ 20,000
2-Bar Association of SF – VLSP**	20,000
3-Asian Pacific Islander Legal Outreach	20,000
4-Bay Area Legal Aid	20,000
5-Mujeres Unidas y Activas	20,000
6-DOSW - training City staff	18,107
TOTAL	**$118,107**

*Cooperative Restraining Order Clinic (CROC).

** Volunteer Legal Services Program (VLSP).

According to Dr. Murase, the proposed $118,107 supplemental appropriation ordinance would specifically provide additional civil legal services and training for City staff. Dr. Murase advises that the above-noted $631,893 supplemental appropriation recently approved by the Board of Supervisors, already provided $178,096 of additional General Fund support for City Grant Programs, including (a) $30,000 to each of four domestic violence legal programs, or a total of $120,000, to address civil legal needs, including obtaining restraining orders, child custody and immigration issues, (b) $30,000 to Mujeres Unidas y Activas to specifically provide community-based Spanish language domestic violence legal services, (c) $10,000 to increase two telephone hotline services related to domestic violence, or a total of $20,000, and (d) $8,096 for the Department on Status of Women to hire a trainer to provide domestic violence education for 911 and 311 telephone operators in the City.

As shown in Table 4 below, the requested additional $118,107 funding for five nonprofit organizations and training of staff would therefore (a) increase each of the five total domestic violence legal programs by an additional $20,000 from $30,000 to $50,000, and (b) increase the Department's training budget by $18,107 from $8,096 to $26,203. In addition, Dr. Murase advises that each of the domestic violence legal services nonprofit organizations anticipate that the $50,000 FY 2012-13 funding would be annualized to $100,000 in FY 2013-14 to enable these agencies to hire one additional staff person to provide legal services.

FISCAL IMPACTS

Table 4 below identifies (a) the amount of funding allocated to each of the five nonprofit organizations and to Departmental training in FY 2011-12, (b) the amount of funding currently included in the FY 2012-13 Department on the Status of Women's budget, (c) the $178,096 included in the recent supplemental appropriation approved by the Board of Supervisors, (d) the requested additional $118,107 in the subject supplemental appropriation ordinance, and if approved, (e) the total amount of $719,537 that would be approved for these organizations and training purposes for FY 2012-13.

Table 4: FY 2011-12 and FY 2012-13 and Supplemental Appropriation Funding

Department on Status of Women City Grant Programs	FY 2011-12 Funding	Current FY 2012-13 Funding	Recent Supplemental Appropriation	Requested Additional Funding	Total FY 2012-13 Costs
Bar Association of SF - CROC	$74,837	$83,683	$ 30,000	**$20,000**	$133,683
Bar Association of SF - VLSP	77,358	86,502	30,000	**20,000**	136,502
Asian Pacific Islander Legal Outreach	130,229	145,622	30,000	**20,000**	195,622
Bay Area Legal Aid	71,791	80,277	30,000	**20,000**	130,277
Mujeres Unidas y Activas	42,255	47,250	30,000	**20,000**	97,250
DOSW - training of staff	0	0	8,096	**18,107**	26,203
TOTAL	**$396,470**	**$443,334**	**$ 158,096***	**$118,107**	**$719,537**

* The recent supplemental appropriation was for a total of $178,096, which also included (a) $10,000 for La Casa de las Madres and (b) $10,000 for WOMAN, Inc., for additional telephone hotline services.

As shown in Table 4 above, if the proposed supplemental appropriation is approved, it would result in total expenditures of $719,537 for these five nonprofit organizations and the Department's training, which is an increase of $276,203 or 62% more than the current $443,334 FY 2012-13 funding for these organizations. In addition, because (a) the Board of Supervisors added back a total of $250,000 for the Department on the Status of Women's nonprofit organizations, and (b) an additional cost-of-living adjustment was included in the FY 2012-13 budget, these five nonprofit organizations previously received an additional $46,864 of funding ($443,334 less $396,470) or a 11.8% increase between FY 2011-12 and FY 2012-13. Therefore, as shown in Table 4 above, comparing the FY 2011-12 level of General Fund costs of $396,470 to the proposed FY 2012-13 General Fund costs of $719,537, reflects an increase of $323,067 or 81% over this one-year period.

Dr. Murase advises that the $30,000 of additional funding (see Table 4 above) for each of the five nonprofit organizations, as recently approved by the Board of Supervisors, will be annualized to provide $60,000 of additional funding for each of these organizations in FY 2013-14. In addition, Dr. Murase advises that the requested additional $20,000 for each of the five nonprofit organizations and Department training of $18,107 under the subject requested supplemental appropriation (see Table 4 above) would similarly be doubled to provide an additional $40,000 of funding for each of these five organizations and $36,214 for Department training in FY 2013-14, for a total annualized General Fund cost of $236,214 ($118,107 times 2) in FY 2013-14 and in future years. Overall, the projected FY 2013-14 General Fund costs for the five nonprofit organizations and the Department training would therefore increase to $948,845, as summarized in Table 5 below.

Table 5: FY 2012-13 and Projected FY 2013-14 General Fund Costs

Department on Status of Women City Grant Programs	Total FY 2012-13 Costs	Projected FY 2013-14 Costs
Bar Association of SF - CROC	$133,683	$174,831
Bar Association of SF - VLSP	136,502	177,352
Asian Pacific Islander Legal Outreach	195,622	230,219
Bay Area Legal Aid	130,277	171,785
Mujeres Unidas y Activas	97,250	142,252
DOSW - training of staff	26,203	52,406
TOTAL	**$719,537**	**$948,845**

The Budget and Legislative Analyst also notes that, in addition to the above-funding, as part of the City's FY 2012-13 Emergency Shelter Grants Program, various nonprofit organizations in the City receive funding specifically for legal services, including Asian Pacific islander Legal Outreach ($40,000) and Bay Area Legal Aid ($75,000), which are targeted to domestic violence victims in San Francisco.

POLICY CONSIDERATION

Dr. Murase advises that the new 1824 Principal Administrative Analyst position, which was approved by the Board of Supervisors as part of the recent supplemental appropriation (File 12-1166) for the Department on the Status of Women, will be tasked with the responsibility of conducting a comprehensive needs assessment for the Department. This comprehensive needs assessment would evaluate the specific needs of all the City's domestic violence programs, such as emergency shelters, transitional housing, intervention and advocacy services, prevention, education and training, crisis hotline services and legal services.

Given that this comprehensive needs assessment has not yet been conducted, the Budget and Legislative Analyst is unable to determine whether the recent supplemental appropriation of funds (File 12-1166) and the proposed additional supplemental of funds (File 13-0142) should be fully annualized, which would result in the original FY 2012-13 General Fund expenditures of $443,334 (see Table 4 above) increasing by $505,511 or approximately 114% to $948,845 in FY 2013-14 (see Table 5 above). Such requests for additional General Fund monies should be more fully reviewed after the comprehensive needs assessment is completed and as part of the Budget and Finance Committee's overall FY 2013-14 budget review, relative to the other budgetary needs and priorities of the Board of Supervisors.

RECOMMENDATION

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

Attachment

San Francisco Department on the Status of Women
VAW Partner Agency funding for Fiscal Year 2012-2013

Agency by Service Category	Programs	Marriage License Fees	General Fund	BOS New Initiative, $250K = 9.9%	FY12-13 w/ BOS 9.9%	Mayor CODB 1% + BOS 0.92% increase = 1.92%**	TOTAL FY12-13 Allocation	Total increase for FY12-13
Domestic Violence Shelter Programs								
Asian Women's Shelter	Domestic Violence Shelter Program	64,667	94,381	9,344	168,391	1,812	170,204	11,156
La Casa de las Madres	Domestic Violence Shelter Services	64,667	271,304	26,859	362,829	5,209	368,038	32,088
St. Vincent de Paul (Riley Ctr)	Rosalie House	64,667	125,156	12,390	202,213	2,403	204,616	14,793
	Subtotal for DV Shelters	**194,000**	**490,840**	**48,593**	**733,433**	**9,424**	**742,858**	**58,017**
Crisis Line Services								
S.F. Women Against Rape	Sexual Assault Crisis Line		92,729	9,180	101,909	1,780	103,690	10,961
W.O.M.A.N., Inc.	Domestic Violence Crisis Line		224,477	22,223	246,700	4,310	251,010	26,533
	Subtotal for Crisis Line Services	-	**317,206**	**31,403**	**348,609**	**6,090**	**354,700**	**37,494**
Legal Services								
Asian Pacific Islander Legal Outreach	Asian/Pacific Domestic Violence Project		130,229	12,893	143,122	2,500	145,622	15,393
Bay Area Legal Aid	Domestic Violence Legal Services		71,791	7,107	78,898	1,378	80,277	8,486
S.F. Bar Volunteer Legal Services	Cooperative Restraining Order Clinic (CROC)		74,837	7,409	82,246	1,437	83,683	8,846
S.F. Bar Volunteer Legal Services	Domestic Violence Project (VSLP)		77,358	7,658	85,016	1,485	86,502	9,144
	Subtotal for Legal Services	-	**354,215**	**35,067**	**389,282**	**6,801**	**396,083**	**41,868**
Transitional Housing								
Gum Moon Women's Residence	Transitional Housing for Immigrant Domestic Violence Women		57,433	5,686	63,119	1,103	64,222	6,789
Jewish Family and Children's Services	Dream House		46,950	4,648	51,598	901	52,499	5,549
Mary Elizabeth Inn	INNroads		85,978	8,512	94,490	1,651	96,141	10,163
St. Vincent de Paul (Riley Ctr)	Brennan House		95,064	9,411	104,475	1,825	106,301	11,237
	Subtotal for Transitional Housing	-	**285,425**	**28,257**	**313,682**	**5,480**	**319,162**	**33,737**
Intervention & Advocacy Programs								
APA Family Support Services	Home Visitation		71,363	7,065	78,428	1,370	79,798	8,435
Donaldina Cameron House	Asian Domestic Violence Advocay		121,907	12,069	133,975	2,341	136,316	14,409
Mujeres Unidas y Activas	Sanando el Alma		42,255	4,183	46,438	811	47,250	4,995
S.F. Women Against Rape	Sexual Assault Advocacy		125,722	12,446	138,168	2,414	140,582	14,860
W.O.M.A.N., Inc.	Therapy and Latina Case Management Program		46,950	4,648	51,598	901	52,499	5,549
	Subtotal for Intervention & Advocacy Programs	-	**408,197**	**40,411**	**448,608**	**7,837**	**456,445**	**48,249**
Prevention, Education & Training								
Arab Cultural & Community Center	Arab Women's Program		65,879	6,522	72,401	1,265	73,666	7,787
Asian Pacific Islander Legal Outreach	Asian Anti-Trafficking Collaborative		25,000	2,475	27,475	480	27,955	2,955
Community United Against Violence	LBT Prevention and Education Services		50,000	4,950	54,950	960	55,910	5,910
Community Youth Center – S.F.	Young Asian Women Against Violence		110,031	10,893	120,924	2,113	123,036	13,006
Filipino Community Center	Babae Domestic Violence Program		42,255	4,183	46,438	811	47,250	4,995
Glide Foundation	Glide Women's Center		42,255	4,183	46,438	811	47,250	4,995
Horizons Unlimited of San Francisco, Inc.	Females Against Violence Peer Leadership and Education Program		28,170	2,789	30,958	541	31,499	3,330
Institute on Aging	Preventing Domestic Violence Late in Life		25,000	2,475	27,475	480	27,955	2,955
Lavender Youth Recreation & Information Center	Queer Young Women's Health & Safety Project		51,753	5,124	56,877	994	57,870	6,117
Mission Neighborhood Centers, Inc.	Real Arising Issues Creating Empowered Students (RAICES)		114,866	11,372	126,237	2,205	128,443	13,577
S.F. Women Against Rape	SA Education		29,625	2,933	32,558	569	33,127	3,502
S.F. Women Against Rape	Students Talking About Non-Violent Dating (S.T.A.N.D.)		69,542	6,885	76,426	1,335	77,761	8,220
Women in Dialogue	In Defense of Prostitute Women's Safety		25,000	2,475	27,475	480	27,955	2,955
	Subtotal for Prevention, Education, & Training	-	**679,375**	**67,258**	**746,633**	**13,044**	**759,677**	**80,302**
	TOTALS	**194,000**	**2,535,257**	**250,990**	**2,980,247**	**48,677**	**3,028,924**	**299,667**

** The 0.92% from the BOS is for August 1, 2012 - June 30, 2013. FY13-14 will be a combined total of 2%.