

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

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TO: Budget and Finance Sub-Committee

FROM: Budget and Legislative Analyst



SUBJECT: April 15, 2015 Budget and Finance Sub-Committee Meeting

TABLE OF CONTENTS

Item	File		Page
3	15-0244	Appropriation – Developer Contributions and Reimbursement – Public Works - \$6,354,478 – FY 2014-2015	1
4	15-0211	Lease and Use Agreement Modifications – Air France, and Cathay Pacific Airways, Limited – Estimated Minimum Combined Rent of \$29,666,807.61	6
5	15-0237	Lease and Use Agreement Modification – Delta Air Lines, Inc. – Estimated Rent of \$74,192,941.78.....	11
6	15-0113	Hearing – Reserved Funds Airport – Plot 700 Development Project - \$30,204,929.....	15
7	15-0189	Agreement Amendment – Motorola, Inc. – 800 MHz Radio System Project - \$33,011,959.....	20
8	15-0292	Agreement Amendment – URS Corporation – Engineering Services – New Irvington Tunnel Project – Not to Exceed \$15,873,561.....	24

Item 3 File 15-0244	Department: Department of Public Works
EXECUTIVE SUMMARY	
Legislative Objective - The proposed ordinance would (1) appropriate \$6,354,478 from Mission Bay Developer contribution funds to partially reimburse the City for the construction costs for a new fire station and police station as part of the Public Safety Building project, and (2) place \$2,338,024 in 2010 Earthquake Safety and Emergency Response (ESER 2010) General Obligation Bond proceeds, previously appropriated by the Board of Supervisors for the Public Safety Building, on Budget and Finance Committee Reserve. Key Points - The former Redevelopment Agency entered into the Mission Bay South Owner Participation Agreement in 1998 with Catellus Development Corporation and its successor FOCIL-MB, LLC (Mission Bay Developer), to implement the Mission Bay South Redevelopment Plan (Agreement). The Agreement stipulates the donation of land and an initial contribution of \$3,900,000 to partially pay the costs to construct a police and fire station after at least 1,000 residential units have been made available for occupancy by the Mission Bay Developer. As of May 2014, 1,082 units were made available, triggering the contribution. - The Agreement further stipulates that the contribution of \$3,900,000 shall increase in proportion to the Engineering News & Record Index. The final payment amount is calculated at \$6,238,024. Total Developer contributions are \$6,354,478, including the required \$6,238,024, and \$116,454 to reimburse the City's costs for sidewalk and street landscape improvements. - The new fire and police stations are part of the Public Safety Building Project, funded by \$239,000,000 in 2010 Earthquake Safety and Emergency Response (ESER 2010) Bond proceeds. Fiscal Impact - The final Public Safety Building Project budget is \$243,016,454, consisting of \$236,661,976 in ESER 2010 Bonds and \$6,354,478 in Development contributions. The final ESER 2010 Bond amount of \$236,661,976 is \$2,338,024 less than the appropriation of \$239,000,000; therefore, the proposed ordinance places \$2,338,024 on Budget and Finance Committee Reserve to be re-allocated to other ESER 2010 projects. Recommendation - Approve the proposed ordinance.	

MANDATE STATEMENT & BACKGROUND**Mandate Statement**

According to Charter Section 9.105, amendments to the annual appropriation ordinance, as finally adopted by the Board of Supervisors, may be initiated by a member of the Board of Supervisors and adopted in the same manner as other ordinances.

Background

The Board of Supervisors approved a redevelopment plan for the Mission Bay South Redevelopment Project (Ordinance No. 335-98) adopted on November 2, 1998 (Mission Bay South Redevelopment Plan). The Mission Bay South Redevelopment Plan provides for the redevelopment, rehabilitation, and revitalization of the area generally bounded by Seventh Street, Mariposa Street, relocated Terry Francois Boulevard and China Basin Channel, and contains approximately 238 acres of land (Mission Bay South Plan Area).

The City entered into the Mission Bay South Owner Participation Agreement (Agreement) with Catellus Development Corporation in 1998 to implement the Mission Bay South Redevelopment Plan. FOCIL-MB, LLC (Developer) succeeded Catellus Development Corporation as the developer in 2004 through purchase of the remaining undeveloped residential parcels in Mission Bay South. The Mission Bay South Owner Participation Agreement stipulates the donation of land and an initial contribution of \$3,900,000 by the Developer to the Department of Public Works to construct a police and fire station after the Developer has constructed and made available at least 1,000 residential units for occupancy. The Developer's initial \$3,900,000 contribution includes \$1,420,000 for partial reimbursement of costs of construction of the police station and \$2,480,000 for reimbursements of costs of construction of the fire station¹.

According to a May 13, 2014 memorandum to the Developer from Mr. Charles Higuera, Department of Public Works Project Manager, 462 residential units were completed in February 2014 and added to the previous count of 620 completed residential units for a total of 1,082 residential units made available for occupancy. The Department of Public Works noted that the units were available for lease, and thus the 1,082 units triggered the transfer of the developer construction contribution funds to the Department of Public Works in the amount of \$3,900,000.

The Agreement further stipulates that the contribution of \$3,900,000 shall increase in proportion to the Engineering News & Record Index (EN&R Index),² which is an index used to adjust costs for building and construction projects, from the effective date of the Agreement to the date of final payment for construction of the police and fire stations. The date of final

¹ Community Facilities District No. 6 was established in 2000 in Mission Bay South to fund public improvements, and is authorized to issue up to \$200 million in tax increment bonds to finance infrastructure and other public improvements.

² The building and construction cost indexes for EN&R's individual cities use the same components and weighting as those for the 20-city national indexes. The city indexes use local prices for portland cement and 2 X 4 lumber and the national average price for structural steel. The city's building cost index uses local union wages, plus fringes, for carpenters, bricklayers and iron workers.

payment was November 1, 2014, and was estimated at \$6,238,024, as shown in Table 1 below.³

Table 1: Increase in the Initial \$3,900,000 in Developer Contribution

Date	Building Construction Index	Contribution Amount by the Mission Bay Developer to the Department of Public Works, Adjusted by the Building Construction Index
12/1/1997	\$3,809	-
11/1/1998	\$3,918 ⁴	\$3,900,000
12/1/1998	\$ 3,927	-
...	...	...
8/1/2014	\$6,230	-
11/1/2014	\$6,266 ⁵	\$6,238,024

Source: Department of Public Works, EN&R Index

The Department of Public Works constructed the police and fire stations as part of the construction of the Public Safety Building, located at Third Street and Mission Rock in the Mission Bay South Plan Area. Construction of the police and fire stations was substantially completed in March 2015. The police station opened on March 28, 2015, and the fire station opened on March 30, 2015.

The Public Safety Building is funded from 2010 Earthquake Safety and Emergency Response (ESER 2010) General Obligation Bond proceeds, as shown in Table 2 below.

Table 2: Allocation of 2010 ESER General Obligation Bonds

ESER 2010 Bond Components	Budget
Public Safety Building	\$239,000,000
Neighborhood Fire Stations	64,000,000
Auxiliary Water Supply System	102,400,000
Oversight, accountability, and cost of issuance	6,900,000
TOTAL	\$412,300,000

Source: Department of Public Works

³ According to Mr. Samuel Chui, Project Manager at the Department of Public Works, substantial completion of the Public Safety Building occurred during the last week of March 2015, but the final payment date was November 1, 2014. The costs are not expected to be altered from this estimate.

⁴ Prior to January 2005, the EN&R Index was generated on an annual basis in December. The effective date of the Agreement was November 16, 1998; thus, the Department had to interpolate the base index amount of \$3,918 from the Building Construction Indices available in December 1997 and December 1998 in order to calculate the escalation cost.

⁵ The latest EN&R Index was published in August 2014. Thus, the Department used the latest EN&R Index in order to extrapolate to November 2014 costs. The Department multiplied the \$3,900,000 by the ratio between the November 2014 Building Construction Index amount of \$6,266 and the interpolated November 1998 Building Construction Index amount of \$3,918 to obtain the \$6,238,024 construction amount shown in the table above.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would (1) appropriate \$6,354,478 from Mission Bay Developer contribution funds to partially reimburse the City for the construction costs for a new fire station and police station as part of the Public Safety Building project, and (2) place \$2,338,024 in 2010 Earthquake Safety and Emergency Response (ESER 2010) General Obligation Bond proceeds, previously appropriated by the Board of Supervisors for the Public Safety Building, on Budget and Finance Committee Reserve.

FISCAL IMPACT

The Board of Supervisors originally appropriated \$239,000,000 in 2010 ESER Bond proceeds to the Public Safety Building project, as shown in Table 2 above. The final Public Safety Building project budget is \$243,016,454, an increase of \$4,016,454, as shown in Table 3 below.

The proposed ordinance:

- Appropriates \$6,354,478 from the Mission Bay Developer contribution to the Public Safety Building project to partially pay the costs for a new fire station and police station. The \$6,354,478 contribution includes \$6,238,024 (see Table 1 above) in required contributions under the Agreement between the City and the Mission Bay Developer, plus \$116,454 to reimburse the City's costs for sidewalk and street landscape improvements performed by the City on behalf of the Mission Bay Developer.
- Places \$2,338,024 in 2010 ESER bond proceeds on Budget and Finance Committee Reserve, which are surplus funds previously appropriated by the Board of Supervisors for the Public Safety Building in Mission Bay South, as shown in Table 3 below.

Table 3: Public Safety Building Project Appropriation

	Previous Appropriation by the Board of Supervisors	Revised Appropriation Request	Balance
ESER 2010 General Obligation Bond proceeds	\$239,000,000	\$236,661,976	(\$2,338,024)
Developer Construction Contribution*	\$0	\$6,238,024	\$6,238,024
Developer Reimbursement for	<u>\$0</u>	<u>\$116,454</u>	<u>\$116,454</u>
Total Mission Bay Developer contribution (subject of this request)	\$0	\$6,354,478	\$6,354,478
Public Safety Building total	\$239,000,000	\$243,016,454	\$4,016,454

Source: Department of Public Works

*See Table 1 above.

The \$2,338,024 in 2010 ESER General Obligation bond proceeds to be placed on Budget and Finance Committee Reserve can only be applied to project categories within the scope of the 2010 ESER bond, either for Neighborhood Fire Stations or the Auxiliary Water Supply System. The Department of Public Works is currently uncertain as to which program will be funded and is thus requesting these funds to be placed on reserve. The \$2,338,024 in 2010 ESER General Obligation bond funds will be reviewed first by the Capital Planning Committee and then will be subject to release by the Budget and Finance Committee.

RECOMMENDATION

Approve the proposed ordinance.

Item 4 File 15-0211	Department: San Francisco International Airport (SFO)
EXECUTIVE SUMMARY	
Legislative Objectives The proposed resolution would approve (a) Modification No. 1 to the 2011 Lease and Use Agreement between the Airport and Air France, to add 2,758 net sf of exclusive use space; and (b) Modification No. 2 to the 2011 Lease and Use Agreement between the Airport and Cathay Pacific Airlines to add 3,790 net sf of exclusive use space. Key Points • Air France seeks to relinquish 2,510 sf of exclusive use space on Level 4 of the International Terminal that is used as a passenger lounge; and instead permanently expand into 5,268 sf of passenger lounge space on Level 3 of the International Terminal, which Air France is currently subleasing from Delta Airlines • Cathay Pacific is seeking to add 3,790 additional square feet of exclusive use lounge space in the International Terminal, Fiscal Impact • Air France is projected to pay estimated rent of \$11,857,893 for 10,844 sf of exclusive use space over the remainder of the lease term from May 1, 2015 through June 30, 2021 • Cathay Pacific is projected to pay estimated rent of \$17,808,915 for a total of 12,070 sf of exclusive use space over the remainder of the lease term, through June 30, 2021. Recommendation Approve the proposed resolution.	

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

City Charter Section 9.118(a) states that agreements entered into by a department, board or commission that will generate revenue in excess of \$1 million or any modification of that agreement are subject to Board of Supervisors approval.

Background

The Airport entered into ten-year leases with Air France and Cathay Pacific from July 1, 2011 through June 30, 2021, for exclusive and joint use space in the Airport's International Terminal. Both Air France and Cathay Pacific seek to expand their lounges in the International Terminal, and are therefore requesting modifications to their current leases pertaining to exclusive use space.

Air France

Under its current agreement with the Airport, Air France leases 8,126 sf of exclusive use space and 631,987 sf of joint use space in the International Terminal, totaling 640,113 sf. Since commencement of the lease in 2011, Air France has paid the Airport \$3,472,252 in rent for their exclusive use space

Cathay Pacific

Under its current agreement with the Airport, Cathay Pacific leases 8,280 sf of exclusive use space and 631,987 sf of joint use space in the International Terminal, totaling 640,267 sf. Since commencement of the lease in July 2011, Cathay Pacific has paid the Airport a total of \$5,349,752 in rent for exclusive use space

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve (a) Modification No. 1 to the 2011 Lease and Use Agreement between the Airport and Air France, to add 2,758 net sf of exclusive use space; and (b) Modification No. 2 to the 2011 Lease and Use Agreement between the Airport and Cathay Pacific Airlines to add 3,790 net sf of exclusive use space.

Estimated rent to be paid to the Airport for the exclusive use space for the remaining term of each lease from May 1, 2015 through June 30, 2021 by (a) Air France is \$11,857,893, and (b) Cathay Pacific is \$17,808,915.¹

If approved, the modifications to the Air France and Cathay Pacific leases will take effect on the first day of the month following full Board of Supervisors approval.

¹ According to Ms. Teresa Rivor, Senior Property Manager for the Airport, the subject lease modifications will only modify exclusive space for each individual carrier; the rent paid is calculated to reflect only the change in exclusive use space.

Air France

Air France seeks to relinquish 2,510 sf of exclusive use space on Level 4 of the International Terminal that is used as a passenger lounge; and instead permanently expand into 5,268 sf of passenger lounge space on Level 3 of the International Terminal, which Air France is currently subleasing from Delta Airlines (see File 15-0237). This change to Air France's premises would result in a net increase of 2,758 sf of exclusive use space for Air France, as shown in Table 1 below.

Table 1: Modifications in Air France's Space

	Exclusive Use (sf)	Joint Use (sf)	Total (sf)
Existing Space	8,126	631,987	640,113
Reduction in Existing Space ^a	(2,510)		(2,510)
Addition of New Space ^b	5,268		5,268
Net Change	2,758		2,758
Total	10,884 sf	631,987 sf	642,871 sf

^a The Airport will reassign 2,510 sf in the International Terminal, relinquished by Air France, to Cathay Pacific, shown in Table 4 below,

^b The Airport will reassign 5,268 sf in the International Terminal, relinquished by Delta, to Air France, as noted under File 15-0237 of the Budget and Legislative Analyst's report to the Budget and Finance Committee.

Cathay Pacific

Cathay Pacific is seeking to add 3,790 additional square feet of exclusive use lounge space in the International Terminal, as shown in Table 2 below.

Table 2: Modifications in Cathay Pacific's Space

	Exclusive Use (sf)	Joint Use (sf)	Total (sf)
Existing Space	8,280	631,987	640,267
Addition of Space:			
Relinquished by Air France (see Table 3)	2,510		2,510
Adjacent to Air France Lounge	1,255		1,255
Water Heater Space	25		25
Total Additional Space	3,790		3,790
Total	12,070 sf	631,987 sf	644,057 sf

FISCAL IMPACT

Projected Rate Increases

The Airport sets annual rental rates, including rental rates for airlines' exclusive use space, as part of its residual rate setting methodology.² As shown in Table 3 below, the Airport Finance Division provided the following estimates for projected rental rate increases per square foot for exclusive use space through FY 2020-21. These rates are estimates, and subject to change.

Table 3: Projected Rate Increases for Exclusive Use Space per Square Foot per Year

Space Category ³	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Category II	\$195.11	\$207.07	\$219.84	\$235.95	\$253.26	\$271.75	\$291.59
Category III	\$130.07	\$138.05	\$146.56	\$157.30	\$168.84	\$181.17	\$194.39
Category IV	\$65.04	\$69.02	\$73.28	\$78.65	\$84.42	\$90.58	\$97.20
Percent Change	-	5.78%	5.81%	6.83%	6.83%	6.80%	6.80%

Source: Airport Finance Division

Air France

Air France is projected to pay estimated rent of \$11,857,893 for a total of 10,844 sf of exclusive use space over the remainder of the lease term from May 1, 2015 through June 30, 2021, as shown in Table 4 below.

Table 4: Total Projected Rent to be Paid by Air France to the Airport for 10,844 sf of Exclusive Use Space through June 30, 2021

Category of Space	Category I	Category II	Category IV	Total
Square Feet	7,432	537	158	8,127
5/1/15-6/30/15*	\$241,676	\$11,641	\$1,713	\$255,030
FY 2015-16	\$1,538,944	\$74,133	\$10,905	\$1,623,982
FY 2016-17	\$1,633,851	\$78,703	\$11,578	\$1,724,132
FY 2017-18	\$1,753,580	\$84,470	\$12,427	\$1,850,477
FY 2018-19	\$1,882,228	\$90,667	\$13,338	\$1,986,234
FY 2019-20	\$2,019,631	\$97,286	\$14,312	\$2,131,229
FY 2020-21	\$2,167,064	\$104,388	\$15,357	\$2,286,809
Total	\$11,236,975	\$541,287	\$79,630	\$11,857,893

*Assume Modification effective date of 5/1/2015

² The residual rate setting methodology sets all rental rates, landing fees, and related fees to a level which ensures that Airport revenues received from Airport airlines and concessions are equal to the Airport's total budgeted costs.

³ The Airport rents Exclusive use space by five different categories.

Category I = Ticket counters, hold rooms, service counters and kiosks.

Category II = VIP clubs and lounges, baggage claim lobbies, baggage service offices, curbside check-in, and other enclosed space on the departure level and above.

Category III = Enclosed space on the arrival level and below, non-public offices, and enclosed areas on the arrival level & below.

Category IV = Inbound/outbound baggage, and equipment rooms.

Category V = Other unenclosed space, and covered areas at ramp level

Cathay Pacific

Cathay Pacific is projected to pay estimated rent of \$17,808,915 for a total of 12,070 sf of exclusive use space over the remainder of the lease term, through June 30, 2021, as shown in Table 5 below.

Table 5: Total Projected Rent to be Paid by Cathay Pacific to the Airport for 12,070 sf of Exclusive Use Space through June 30, 2021

Category of Space	Category II
Square Feet	12,070
5/1/15-6/30/15*	\$392,496
FY 2015-16	\$2,499,335
FY 2016-17	\$2,653,469
FY 2017-18	\$2,847,917
FY 2018-19	\$3,056,848
FY 2019-20	\$3,279,998
FY 2020-21	\$3,078,852
Total	\$17,808,915

**Assume Modification effective date of 5/1/2015*

RECOMMENDATION

Approve the proposed resolution.

Item 5 File 15-0237	Department: San Francisco International Airport (SFO)
EXECUTIVE SUMMARY	
Legislative Objectives The proposed resolution would approve Modification No. 1 to the 2011 Lease and Use Agreement between the Airport and Delta Airlines, to add 248 net sf of exclusive use space in Terminal 1. Key Points • Delta would like to relinquish 9,764 sf of exclusive use space, including (a) 5,268 sf of passenger lounge space in the International Terminal because they have stopped international service from San Francisco International Airport • Delta is seeking to construct a new larger premium class lounge in Area C of Terminal 1, while relinquishing its other two lounges located in the International Terminal and Terminal 1 once construction in Area C is complete. • The Airport is constructing a shell space for Delta's new lounge in Area C of Terminal 1 as part of the Airport's Tower and Integrated Facilities project. Delta will be responsible for all costs associated with the tenant improvement work within the lounge including design and construction. Fiscal Impact • Delta is projected to pay a minimum estimated \$74,192,942 for 61,375 sf of exclusive use space for the remainder of the lease term from May 1, 2015 through June 30, 2021. Recommendation Approve the proposed resolution.	

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

City Charter Section 9.118(a) states that agreements entered into by a department, board or commission that will generate revenue in excess of \$1 million or any modification of that agreement are subject to Board of Supervisors approval.

Background

The Airport entered into a ten-year lease with Delta Airlines (Delta) from July 1, 2011 through June 30, 2021 for exclusive and joint use space in the Airport's Terminal One and the International Terminal. Delta originally leased 631,987 sf of joint use space in the International Terminal but ceased international flights from San Francisco International Airport on March 30, 2014 and stopped using joint use space in the International Terminal on April 1, 2014. Delta originally leased 60,057 sf of exclusive use space located in both Terminal One and the International Terminal. Subsequently, the Airport and Delta agreed to changes in the exclusive use space in the International Terminal and Terminal One, resulting in a net increase of 1,070 sf, totaling 61,127 sf of exclusive use space. To date, Delta Airlines has paid the Airport \$33,862,232 for its exclusive use space.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Modification No. 1 to the 2011 Lease and Use Agreement between the Airport and Delta Airlines, to add 248 net sf of exclusive use space in Terminal 1. The estimated rent paid by Delta Airlines to the Airport for the remainder of the lease term from May 1, 2015 through June 30, 2021 is \$74,192,942.¹

If approved, the modifications to the Delta lease would take effect on the first day of the month following full Board approval.

Requested Lease Modification

Due to changes in services offered at San Francisco International Airport, Delta is seeking to construct a new larger premium class lounge in Area C of Terminal 1, while relinquishing its other two lounges located in the International Terminal and Terminal 1 once construction in Area C is complete. Delta would like to relinquish 9,764 sf of exclusive use space, including (a) 5,268 sf of passenger lounge space in the International Terminal because they have stopped international service from San Francisco International Airport;² and (b) 4,495 sf of passenger lounge space on the Mezzanine Level of Terminal 1, as it will no longer be needed once construction of Delta's new 10,012 sf lounge in Area C of Terminal 1 is complete.

¹ According to Ms. Teresa Rivor, Senior Property Manager for the Airport, the subject lease modifications will only modify exclusive use space for each individual carrier; the rent paid is calculated to reflect only the change in exclusive use space.

² As noted in File 15-0211 of the Budget and Legislative Analyst's report to the Budget & Finance Committee, the Airport will reassign 5,268 square feet of International Terminal space, relinquished by Delta, to Air France.

The subject Lease Modification No. 1 would provide Delta with a net gain of 248 sf of exclusive use space for a total of 61,375 sf of exclusive use space, as shown below in Table 2.

Table 1: Modifications in Delta's Space

	Exclusive Use Space (sf)
Existing Space	61,127
Reduction in Existing Space in the International Terminal	(9,764)
Addition of New Space in Area C of Terminal 1	10,012
Net Change	248
Total	61,375 sf

Terminal 1 Boarding Area C Lounge Tenant Improvements

The Airport is constructing a shell space for Delta's new lounge in Area C of Terminal 1 as part of the Airport's Tower and Integrated Facilities project³, as it is directly adjacent and attached to certain integrated facilities. Other than the shell space, Delta will be responsible for all costs associated with the tenant improvement work within the lounge including design and construction.

FISCAL IMPACT

Projected Rate Increases

The Airport sets annual rental rates, including rental rates for airlines' exclusive use space, as part of its residual rate setting methodology.⁴ As shown in Table 2 below, the Airport Finance Division provided the following estimates for projected rental rate increases per square foot for exclusive use space through FY 2020-21. These rates are projections, and subject to change.

Table 2: Projected Rate Increases for Exclusive Use Space per Square Foot per Year

Space Category ⁵	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Category II	\$195.11	\$207.07	\$219.84	\$235.95	\$253.26	\$271.75	\$291.59
Category III	\$130.07	\$138.05	\$146.56	\$157.30	\$168.84	\$181.17	\$194.39
Category IV	\$65.04	\$69.02	\$73.28	\$78.65	\$84.42	\$90.58	\$97.20
Percent Change	-	5.78%	5.81%	6.83%	6.83%	6.80%	6.80%

Source: Airport Finance Division

³ The Tower and Integrated Facilities Project will construct a new Air Traffic Control Tower, a secure connector between Terminal 1 and Terminal 2, improvements to Terminal 1 Boarding Area C, and the addition of a yoga room.

⁴ The residual rate setting methodology sets all rental rates, landing fees, and related fees to a level which ensures that Airport revenues received from Airport airlines and concessions are equal to the Airport's total costs.

⁵ The Airport rents exclusive use space by five different categories.

Category I = Ticket counters, hold rooms, service counters and kiosks.

Category II = VIP clubs and lounges, baggage claim lobbies, baggage service offices, curbside check-in, and other enclosed space on the departure level and above.

Category III = Enclosed space on the arrival level and below, non-public offices, and enclosed areas on the arrival level & below.

Category IV = Inbound/outbound baggage, and equipment rooms.

Category V = Other unenclosed space, and covered areas at ramp level

Delta is projected to pay a minimum estimated \$74,192,942 for 61,375 sf of exclusive use space for the remainder of the lease term from May 1, 2015 through June 30, 2021, as shown in Table 3 below.

Table 3: Total Projected Rent to be Paid by Delta to the Airport for 61,375 Square Feet of Exclusive Use Space through June 30, 2021

Category of Space	Category I	Category II	Category III	Category IV	Total
Square Feet	2,264	28,519	22,006	8,586	61,375
5/1/15-6/30/15*	\$98,159	\$927,390	\$477,053	\$93,072	\$1,595,675
FY 2015-16	\$625,090	\$5,905,429	\$3,037,928	\$592,606	\$10,161,054
FY 2016-17	\$663,624	\$6,269,617	\$3,225,199	\$629,182	\$10,787,622
FY 2017-18	\$712,254	\$6,729,058	\$3,461,544	\$675,289	\$11,578,145
FY 2018-19	\$764,485	\$7,222,722	\$3,715,493	\$724,830	\$12,427,530
FY 2019-20	\$820,292	\$7,749,981	\$3,986,724	\$777,743	\$13,334,740
FY 2020-21	\$880,174	\$8,315,729	\$4,277,755	\$834,518	\$14,308,176
Total	\$4,564,079	\$43,119,926	\$22,181,697	\$4,327,240	\$74,192,942

* Assume Modification effective date of 5/1/2015

RECOMMENDATION

Approve the proposed resolution.

Item 6
File 15-0113

Department(s):
San Francisco Airport

EXECUTIVE SUMMARY

Legislative Objective

- The Airport is requesting release of \$30,204,929 in Airport revenue bonds previously reserved by the Budget and Finance Committee in order to begin construction of new facilities for the Airport's Ground Transportation Unit and Bus Maintenance Facility on the Airport's Plot 700.

Key Points

- The Airport's FY 2014-15 Five-Year Capital Plan, approved by the Airport Commission and the City's Capital Planning Committee in February 2015, provides for the development of Plot 700 to construct new facilities, including the relocation of the Ground Transportation Unit and the Bus Maintenance Facility.
- The Airport plans to award a construction contract, subject to the City's regular competitive bid process, to construct the new facilities on Plot 700.
- If the release of reserves is approved, construction would begin in April 2015 and is expected to be complete November 2016.

Fiscal Impacts

- The Plot 700 budget for the Airport's Ground Transportation Unit and Bus Maintenance Facility is \$35,170,806, which is \$4,965,877 or 16.4 percent more than the original estimated budget of \$30,204,929 (the amount of bond proceeds placed on Budget and Finance Committee reserve).
- The increase in the total project budget is driven entirely by a \$4,965,877 increase in utility costs in the Ground Transportation Unit budget.
- The cost of the Plot 700 project will be funded from Airport revenue bonds, which were appropriated by the Board of Supervisors for the Airport's Five Year Capital Plan in April 2014 (File 14-0232). According to Mr. Bruce Robertson, Airport Budget Director, other projects funded from these bond funds have budgetary savings which the Airport expects to use to pay for the additional \$4,965,877 in the updated \$35,170,806 Plot 700 budget.

Recommendation

- Approve the requested release of \$30,204,929 in reserved funds.

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

The Plot 700 Development

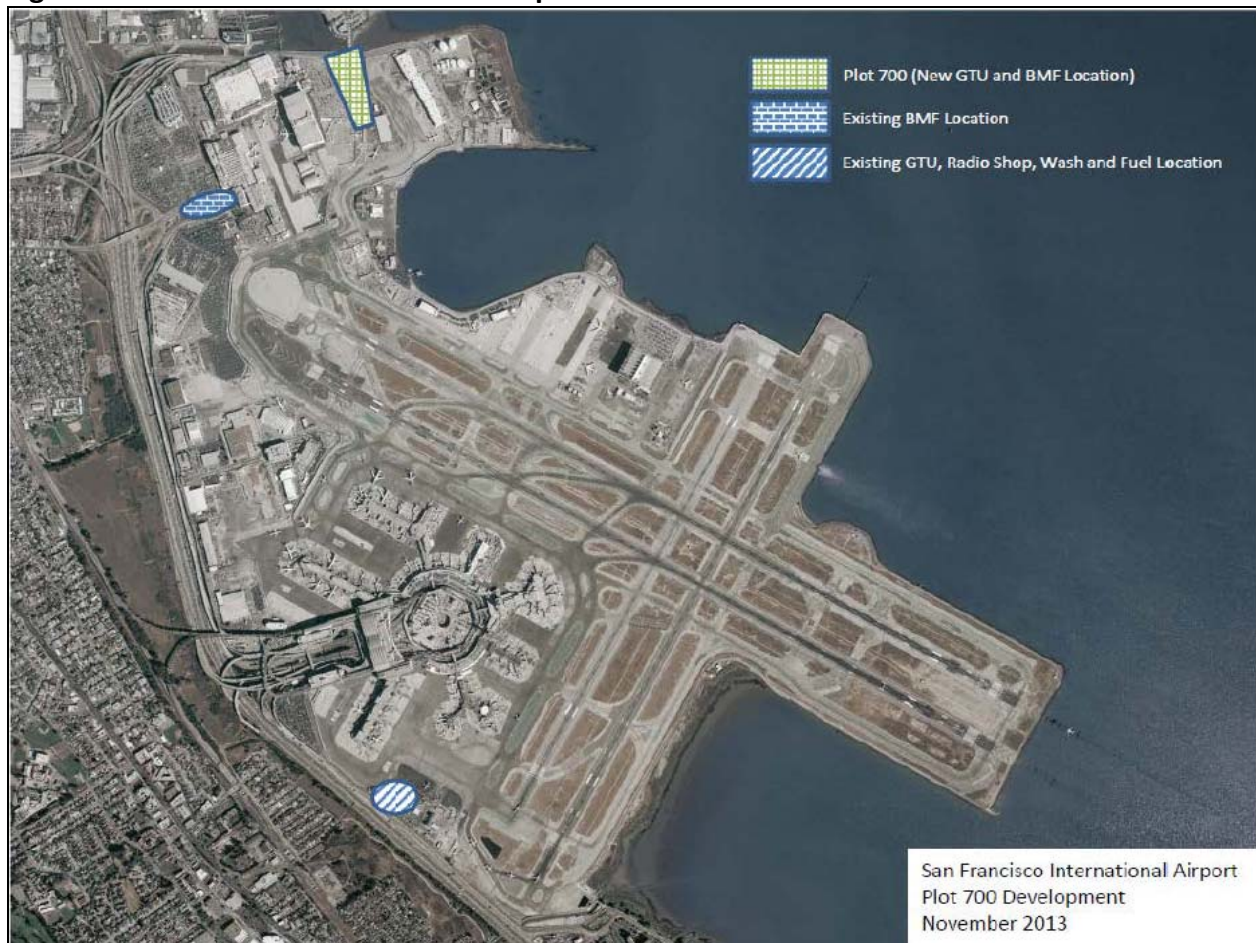
As shown below in Figure 1 below, Plot 700 is a six acre plot of land that was recently returned by United Airlines to the Airport's control after a modification to the Airport's lease with United Airlines. Plot 700 is currently being used as an employee overflow parking lot as need arises. The Airport's FY 2014-15 Five-Year Capital Plan, approved by the Airport Commission and the City's Capital Planning Committee in February 2015, provides for the development of Plot 700 to construct new facilities, including the relocation of the Ground Transportation Unit and the Bus Maintenance Facility.¹

The purpose of the Plot 700 development is to relocate the facilities for the Airport's Ground Transportation Unit² and Bus Maintenance Facility and provide better structures to house their operations. The proposed Plot 700 development project includes the construction of a new facility to co-locate the Ground Transportation Unit and Bus Maintenance Facility on Plot 700. The new facility will be a permanent structure that will more adequately address the needs of the two units. The structures currently housing the Ground Transportation Unit and Bus Maintenance Facility are at the end of their useful life, unsafe for employees, and undersized to effectively serve their purpose.

According to Ms. Cathy Widener, Government Affairs Manager at the San Francisco International Airport, both the Ground Transportation Unit and Bus Maintenance Facility are considered back-of-house operations and are more appropriately located away from their current locations on McDonnell Road, which is a major roadway that provides public access to the Airport terminals and the Rental Car Center. Relocation of these facilities to Plot 700 will move traffic associated with these units off McDonnell Road, a main access point for the Airport. The relocation will also allow the Airport to use the land that is currently housing the Ground Transportation Unit and Bus Maintenance facility for future aircraft operations and generate additional revenue.

¹ Relocation of these two facilities includes relocation of the associated radio shop, gas station and car/bus wash.

² The Ground Transportation Unit functions as the permitting and inspection agency for all passenger-carrying Airport vehicles operating at the Airport.

Figure 1: San Francisco International Airport and Plot 700

Source: Airport

Previous Board of Supervisors' Review

On April 29, 2014, the Board of Supervisors appropriated Airport revenue bond proceeds of \$1,969,830,773 to fund the Airport's Five Year Capital Plan (File 14-0232). At the recommendation of the Budget and Legislative Analyst, the Budget and Finance Committee placed \$30,204,929 on Budget and Finance Committee reserve pending related California Environmental Quality Act (CEQA) findings. On April 22, 2014 the Board of Supervisors approved a resolution finding that the Plot 700 project to construct a new Ground Transportation Unit and Bus Maintenance Facility was fiscally feasible (File 14-0222).

On September 26, 2014 the Planning Department's Environmental Planning Division found that the Plot 700 project was exempt from CEQA review. Approval of the CEQA exemption is currently pending before the Board of Supervisors (File 15-0105).

DETAILS OF PROPOSED LEGISLATION

The Airport is requesting release of \$30,204,929 in Airport revenue bonds previously reserved by the Budget and Finance Committee in order to begin construction of new facilities for the Airport's Ground Transportation Unit and Bus Maintenance Facility on the Airport's Plot 700. If the release of reserves is approved, construction would begin in April 2015.

FISCAL IMPACT

The construction of the improvements under Plot 700 development project is expected to cost an estimated \$35,170,806, as shown below in Table 1 below, and to take three years. The Airport has not started work on the Plot 700 project except for spending approximately \$100,000 to prepare for the associated CEQA review. According to Mr. Bruce Robertson, Airport Budget Director, the CEQA review cost was paid for using money previously appropriated by the Board of Supervisors from the Airport's operating budget.

Table 1: Plot 700 Project Budget to Construct a New Facility for the Ground Transportation Unit and Bus Maintenance Facility

	GTU Relocation	Bus Maintenance Facility Relocation	Total
Construction Costs			
Site Work	\$3,460,575	\$3,924,000	\$7,384,575
Foundations and Structural Work	2,497,212	1,365,350	3,862,562
Buildings and Equipment	3,295,591	1,099,406	4,394,997
Mechanical, Electrical, & Plumbing	3,917,553	1,004,700	4,922,253
Sustainability ¹	573,000	436,000	1,009,000
General Conditions ²	1,733,000	1,317,000	3,050,000
Contingency ³	3,088,583	1,829,000	4,917,583
Total Construction Cost	\$18,565,514	\$10,975,456	\$29,540,970
Soft Costs ⁴	3,892,096	1,737,740	5,629,836
Project Total	\$22,457,610	\$12,713,196	\$35,170,806

Source: Airport

¹ Sustainability is contingency funding for sustainability measures in the structure, such as LEED Gold Certification, as called for in the SFO Strategic Plan.

² General Conditions are ancillary costs attributable to construction, such as site offices, temporary utilities, and construction cleaning.

³ Contingency is an approximate 20% set-aside of construction costs to account for design changes, omissions or errors, or unforeseen conditions or risks. The 20% is standard for Airport projects of this size.

⁴ Soft costs include project management, design, inspection, and construction management.

The Plot 700 budget for the Airport's Ground Transportation Unit and Bus Maintenance Facility of \$35,170,806 is \$4,965,877 or 16.4 percent more than the original estimated budget of \$30,204,929 (the amount of bond proceeds placed on Budget and Finance Committee reserve). The increase in the total project budget is driven entirely by a \$4,965,877 increase in utility costs in the Ground Transportation Unit budget. The Airport plans to award a construction contract, subject to the City's regular competitive bid process. The Airport expects the project to be complete in November 2016.

Source of Funds

The cost of the Plot 700 project will be funded from Airport revenue bonds, which were appropriated by the Board of Supervisors for the Airport's Five Year Capital Plan in April 2014 (File 14-0232). As previously noted, of the \$1,969,830,773 in Airport bond revenue, \$30,204,929 was placed on Budget and Finance Committee reserve. According to Mr. Robertson, other projects funded from these bond funds have budgetary savings which the Airport expects to use to pay for the additional \$4,965,877 in the updated \$35,170,806 Plot 700 budget.

RECOMMENDATION

Approve the requested release of \$30,204,929 in reserved funds.

Item 7 File 15-0189	Department: Department of Technology (DT)
EXECUTIVE SUMMARY	
Legislative Objectives - The proposed resolution would approve the eighth amendment to the City's 800 MHz Radio System Project Agreement with Motorola, Inc., increasing the not-to-exceed amount by \$9,011,959 or 37.5 percent, from \$24,000,000 to \$33,011,959 through September 21, 2017, which is the existing agreement termination date. Key Points - The Board of Supervisors originally approved a ten-year Citywide 800 MHz Radio System Project Agreement between the Department of Technology (DT) and Motorola Inc. on September 22, 1997 for \$9,999,999. In 2006, the Board of Supervisors approved the sixth amendment, increasing the not-to-exceed amount by \$10,000,001 to \$20,000,000 and extending the term by 10 years to September 21, 2017. In 2013, the Board of Supervisors approved the seventh amendment, increasing the not-to-exceed amount by \$4,000,000 for a total not-to-exceed amount of \$24,000,000. Fiscal Impact - DT is requesting the \$9,011,959 increase in the agreement amount to allow City departments to purchase replacement radios and related equipment and services from FY 2014-15 through FY 2016-17. Policy Consideration - The City's Information and Communication Technology (ICT) Plan, pending before the Board of Supervisors recommends replacement of the citywide radio communications system by FY 2018-19, at an estimated cost of \$73 million. DT and DEM selected the P25 System as the replacement system, which is an open source system and adheres to the California Emergency Management Agency's standard for system interoperability. DT and DEM expect to issue a Request for Proposals (RFP) in July 2015, and finalize an agreement to implement a new citywide radio communications system by July 2016. Any replacement radios purchased under the existing Motorola agreement will be compatible with the P25 System and can continue to be used when the new system is implemented. - Because the FY 2016-17 budget has not yet been approved by the Board of Supervisors and the replacement radios and related equipment and services in FY 2016-17 is not yet known, the Budget and Legislative Analyst recommends reducing the agreement not-to-exceed amount by \$2,633,225 (the amount budgeted in FY 2016-17). This recommendation would allow an increase in the not-to-exceed agreement amount of \$6,378,734, which provides sufficient expenditure authority for City departments to purchase radios and related equipment and services in FY 2014-15 and FY 2015-16. Recommendations - Amend the proposed resolution to reduce the requested agreement not-to-exceed amount by \$2,633,225, from \$33,011,959 to \$30,378,734. - Approve the proposed resolution as amended.	

MANDATE STATEMENT**Mandate Statement**

Charter Section 9.118(b) requires that any agreement entered into by a department which extends for more than ten years or has anticipated City and County expenditures of \$10,000,000 or more, or amendments to such agreements of \$500,000 or more be subject to the approval of the Board of Supervisors by resolution.

BACKGROUND*Original Agreement with Motorola*

The Board of Supervisors originally approved a ten-year Citywide 800 MHz Radio System Project Agreement between the Department of Technology (DT) and Motorola Inc. in 1997 for a not-to-exceed amount of \$9,999,999, starting on September 22, 1997 and continuing through September 21, 2007. Although DT implemented a competitive selection process to select a vendor, Motorola was the only respondent to submit a technical proposal.

Under the existing agreement, Motorola provides an 800 MHz radio system with push-to-talk voice communication between various departments and employees in the City. The 800 MHz radio frequency is the standard radio signal for emergency services.

Increases to the Motorola Agreement Term and Not-to-Exceed Amount

The existing agreement has been amended seven times. The Board of Supervisors approved the sixth amendment in 2006, increasing the agreement amount by \$10,000,001 or 100% to a not-to-exceed amount of \$20,000,000 and extending the agreement term by an additional ten years through September 21, 2017 (File 06-0484).

The Board of Supervisors approved the seventh amendment in 2013, increasing the agreement amount by \$4,000,000 to a total not-to-exceed amount of \$24,000,000 (File 13-0392). DT does not have complete records of expenditures from 1997 to 2013.¹ DT began tracking expenditures with the approval of the seventh amendment by the Board of Supervisors in 2013. According to DT, of the \$4,000,000 increase authorized under the seventh amendment, City departments have expended \$3,678,213, with remaining expenditure authority of \$321,787.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the eighth amendment to the City's 800 MHz Radio System Project Agreement with Motorola, Inc., increasing the not-to-exceed amount by \$9,011,959 or 37.5 percent, from \$24,000,000 to a not-to-exceed \$33,011,959 through

¹ According to Mr. Jason Renteria, DT Enterprise Project Lead and Principal Analyst, both DT and the Office of Contract Administration were purchasing from the Motorola agreement prior to the approval of the seventh amendment in 2013, but did not track the expenditures. DT began tracking expenditures with approval of the seventh amendment in 2013, increasing the agreement amount by \$4 million. Therefore, DT only has expenditure data for the \$4,000,000 amount included in the seventh amendment.

September 21, 2017, which is the existing agreement termination date. The eighth amendment also includes provisions regarding criminal history and limitation on political contributions, both of which are now standard in City contracts.

FISCAL IMPACT

The proposed increase of \$9,011,959 in the agreement between DT and Motorola would pay for approximately 787 replacement radios, radio batteries and parts, consoles, maintenance, training, and other related items for FY 2014-15 through FY 2016-17. DT has provided a budget for this equipment and services totaling \$9,338,284, shown in Table 1 below, which includes the requested increase of \$9,011,959 for City Departments and the remaining expenditure authority under the seventh amendment of \$321,787.

Table 1. Projected Expenditures

Department	Equipment & Services ^b	FY 2014-15	FY 2015-16	FY 2016-17	Total
Building Inspection	120 radios	\$450,000	\$0	\$0	\$450,000
Public Health	10 radios	60,000	0	0	60,000
Public Utilities Commission	20 radios	65,000	0	0	65,000
Emergency Management ^a	365 radios and fire station alerting equipment	1,400,000	1,440,000	1,400,000	4,240,000
Technology/ Emergency Management	Maintenance	230,000	230,000	230,000	690,000
Technology	Training and misc. parts and batteries	300,000	300,000	300,000	900,000
Municipal Transportation Agency	50 traffic signal group radios	0	175,000	0	175,000
Port	118 radios	0	735,000	0	735,000
Airport	6 MCC 7500 consoles, replacement radios, and NICE upgrade	578,417	273,642	253,225	1,105,284
Sheriff	4 radios	0	18,000	0	18,000
Contingency	100 radios	0	450,000	450,000	900,000
Total	Approx. 787 radios	\$3,083,417	\$3,621,642	\$2,633,225	\$9,338,284*

Source: Department of Technology.

a/ DEM will purchase a total of 365 radios for the Police Department, Fire Department, and the Sheriff's Department.

b/ Unless otherwise specified, "radios" in this table refers to APX series radios.

* The requested increase of \$9,011,959 and the remaining expenditure authority under the seventh amendment of \$321,787 total \$9,333,746, which is \$4,538 less than \$9,338,284 in Table 1 above.

POLICY CONSIDERATION

Public Safety and Service Radio Replacement Project

The City is in the process of replacing the Citywide 800 MHz radio communications system. The Five-Year Information and Communications Technology (ICT) Plan for FY 2013-14 to FY 2017-18, previously approved by the Board of Supervisors, recommended replacement of the existing Citywide MHz radio communications system. The five-year ICT Plan for FY 2015-16 to FY 2019-20, which is pending before the Board of Supervisors, recommends replacement of the citywide radio communications system by FY 2018-19, at an estimated cost of \$73 million. DT and the

Department of Emergency Management (DEM) have completed a systems inventory, needs assessment, and budget projections, and are now in the conceptual design phase for the replacement system.

According to Ms. Michelle Geddes, DEM Project Manager, DT and DEM selected the P25 System as the replacement system, which is an open source system and the California Emergency Management Agency's standard for system interoperability among agencies. Implementation of the P25 System will allow multiple vendors, including Motorola, to participate in the Request for Proposals (RFP) process to support the new citywide radio system going forward. DT and DEM expect to release the RFP in July 2015, estimating that a new agreement, which will be subject to the approval of the Board Supervisors in the future, will be finalized by July 2016.

Continued Use of the Motorola System Pending Implementation of a New System

According to Ms. Geddes, only two vendors, Motorola and E.F. Johnson, are able to support the City's existing Motorola radio system. DEM worked with the Police Department, Fire Department, and Sheriff's Department to test the various radio models, manufactured by each vendor and compatible with the City's existing Motorola radio system. Of these various radio models by both Motorola and E.F. Johnson, only one model, Motorola's APX Series model, met the requirements of the Police, Fire, and Sheriff's departments. Ms. Geddes states that Motorola's APX Series model is compatible with the future proposed P25 System, and that the Motorola radios can continue to be used once the P25 System is implemented under the Public Safety and Service Radio Replacement Project.

The Agreement's Not-to-Exceed Amount

The proposed resolution provides for an increase in the agreement not-to-exceed amount of \$9,011,959, from \$24,000,000 to \$33,011,959, to allow the purchase of approximately 787 replacement radios and the related equipment and services from FY 2014-15 through FY 2016-17. Because the Mayor's recommended FY 2016-17 budget has not yet been submitted to or approved by the Board of Supervisors, the actual appropriation for replacement radios and related equipment and services in FY 2016-17 is not yet known. The Budget and Legislative Analyst recommends reducing the agreement not-to-exceed amount by \$2,633,225, which is the amount budgeted in FY 2016-17 as shown in Table 1 above, from \$33,011,959 to \$30,378,734. The Budget and Legislative Analyst's Office recommended not-to-exceed increased amount of \$6,378,734 is \$2,633,225 less than the requested increase of \$9,011,959, which will provide expenditure authority for the existing amounts requested by City departments to purchase radios and related equipment and services for FY 2014-15 and FY 2015-16.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the requested agreement not-to-exceed amount by \$2,633,225, from \$33,011,959 to an authorized not-to-exceed amount of \$30,378,734.
2. Approve the proposed resolution as amended.

Item 8 File 15-0292	Department: San Francisco Public Utilities Commission (SFPUC)
EXECUTIVE SUMMARY	
Legislative Objectives - The proposed resolution would authorize the San Francisco Public Utilities Commission (SFPUC) to execute the fifth amendment to the contract with URS Corporation for design engineering support services during the construction of the New Irvington Tunnel Project (Project) to increase the contract not-to-exceed amount by \$1,000,000, from \$14,873,561 to a total not-to-exceed amount of \$15,873,561. Key Points - The New Irvington Tunnel Project will construct a new seismically-designed tunnel, which will allow the SFPUC to take the old tunnel out of service for inspection and repairs. The original Project budget was \$214,650,000 with an expected completion date of 2013. In the fall of 2014, two sections of tunnel liner failed due to soft and unstable grout around the liner. The Project is now scheduled to be completed on March 11, 2016 at a cost of \$339,110,995, which is \$124,460,995 or 58% more than the original approved budget. - In 2006, the Board of Supervisors approved a seven-year contract between SFPUC and URS Corporation to provide design engineering services for the Project for a not-to-exceed \$8,600,000 through June 2013. The contract has been amended four times, to increase the contract by \$6,273,561 to \$14,873,561 and extend the term by three years through June 2016. Fiscal Impact - The requested \$1,000,000 increase in the URS contract is for additional expert analysis regarding the re-grouting of the tunnel and dispute reviews and claims avoidance. The existing \$14,873,561 contract plus the requested \$1,000,000, for a total of \$15,873,561 are funded with water revenue bond funds previously appropriated by the Board of Supervisors. Policy Consideration - The remaining contingency for the Project is \$4,754,026. SFPUC estimates additional change orders on this Project totaling \$3,900,000. The cost of any additional change orders and risks beyond the current contingency levels would be paid by the WSIP Director's Reserve, which has a current balance of \$37,775,475. Recommendation - Approve the proposed resolution.	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contracts or agreements entered into by a department, board or commission having a term in excess of ten years, or requiring anticipated expenditures of \$10,000,000, or the modification or amendments to such contract or agreement of more than \$500,000 is subject to approval of the Board of Supervisors by resolution.

BACKGROUND

The New Irvington Tunnel Project (Project) will construct a new seismically-designed tunnel parallel to the existing Irvington Tunnel. The tunnel is located between the Calaveras and Hayward Faults and supplies the majority of the drinking water to the San Francisco Public Utilities Commission's (SFPUC) 2.6 million water customers. The existing Irvington Tunnel was constructed between 1928 and 1932 and has not been taken out of service for complete inspection or repairs since 1966 due to customer water demands. The Project would allow SFPUC to take the old tunnel out of service for needed inspection and repairs and provide for additional seismic stability that will provide greater reliability to the system's water demands. The Project is part of the SFPUC's Water System Improvement Program (WSIP); a \$4.8 billion program to repair, replace, and seismically upgrade SFPUC's water infrastructure.

The original approved budget for the New Irvington Tunnel Project in 2005 was \$214,650,000. Construction began in 2010 with an original project completion date of 2013. In the fall of 2014, two sections of tunnel liner failed due to soft and unstable grout around the liner. SFPUC's analysis indicates that the tunnel liner failures were most likely caused by ineffective groundwater drainage at these locations. These recent tunnel liner failures, together with previous problems due to differing site conditions, resulted in delays of over two years. As of the most recent quarterly WSIP update in December 2014, the Project is 96.3 percent complete and is scheduled to be completed on March 11, 2016 with a final Project budget of \$339,110,995, which is \$124,460,995 or 58% more than the original approved budget.

URS Corporation Contract

In June 2006, the PUC entered into a contract with URS Corporation (URS), following a competitive solicitation process, to provide (a) geotechnical investigation, (b) engineering design services, and (c) support services during bid, award, construction, and close-out for the Project. Since June 2006, the SFPUC has amended the URS contract four times to increase the not-to-exceed amount and extend the term of the contract, as shown in Table 1 below.

Table 1: Summary of Amendments to the Contract between SFPUC and URS Corporation

	Term	Increase	Not-to-Exceed Contract Amount
Original Contract	June 2006 - June 2013	n/a	\$8,600,000
First Amendment	June 2006 - June 2013	\$1,398,561	9,998,561
Second Amendment	June 2006 - June 2014	3,900,000	13,898,561
Third Amendment	June 2006 - June 2015	475,000	14,373,561
Fourth Amendment	June 2006 - June 2016	500,000	14,873,561
Total Increase		\$6,273,561	

Because the initial term was for seven years and for an amount less than \$10,000,000, both the original contract and the first amendment were not subject to Board of Supervisors approval. The second amendment, which increased the contract amount by \$3,900,000 from \$9,998,561 to \$13,898,561, was approved by the Board of Supervisors in September 2009 (File 09-0879). The third amendment, which increased the amount by \$475,000, was not subject to Board of Supervisors approval because the amount was less than \$500,000. The fourth amendment, which increased the not-to-exceed amount by \$500,000 and extended the term by one year through June 2016, was approved by the Board of Supervisors in November 2014 (File 14-1035).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the SFPUC to execute the fifth amendment to the contract with URS Corporation for design engineering support services during the construction of the New Irvington Tunnel Project to increase the contract not-to-exceed amount by \$1,000,000, from \$14,873,561 to a total not-to-exceed amount of \$15,873,561. The increased budget of \$1,000,000 for the requested amendment to the URS design engineering contract, as provided by SFPUC, is shown in Table 2 below.

Table 2: Budget for Amendment to URS Design Engineering Contract

Category	Amount
Engineering support during tunnel liner repair and grouting process, including field visits to site	\$250,000
Supplemental Design Engineering support services, including additional staffing and expertise	225,000
Supplemental Project Management Services	25,000
Disputes review and claims avoidance support services	500,000
Total	\$1,000,000

According to Mr. David Tsztoo, Acting Sunol/San Joaquin Regional Project Manager at SFPUC, the requested \$1,000,000 increase is needed because SFPUC requires additional analysis by an expert firm regarding the repair and re-grouting of the entire tunnel, to ensure that the additional work to repair the tunnel failure performed by the general contractor, Southland/Tutor Perini Joint Venture, was done appropriately. Under the proposed amendment, URS will specifically verify the rate of grouting and types of grout used around the steel piping to prevent further tunnel failure. The \$500,000 allowance for disputes review and claims avoidance, as shown in Table 2 above, will provide for documentation and expert testimony against any disputes that Southland/Tutor Perini Joint Venture may seek for the additional costs of repair and grouting.

As discussed above, the current contract between SFPUC and URS for design engineering services was awarded based on a competitive process. According to Mr. Carlos Jacobo, Budget Director at SFPUC, SFPUC selected URS to perform this additional work without a new competitive process because URS already has familiarity with the Project and the services needed are consistent with URS's current agreement to provide design engineering support for this Project during construction. In addition, URS already has the needed expertise on staff and the Project is nearly complete. Mr. Jacobo advises that if the SFPUC were to engage in a new competitive process to select tunneling engineering experts for the repairs and additional grouting services, the Irvington Tunnel Project would incur significant additional delay and cost.

FISCAL IMPACT

Funds for the existing \$14,873,561 contract between SFPUC and URS Corporation for design engineering services, plus the requested \$1,000,000 fifth amendment, for a total not-to-exceed contract for \$15,873,561, are included in the New Irvington Tunnel Project budget, which is funded with water revenue bond funds previously appropriated by the Board of Supervisors. The debt service on such revenue bonds is paid from the revenues received by the SFPUC from SFPUC water customers. The revised budget for the New Irvington Tunnel Project is \$339,110,995, including \$314,693,645 of expenditures to date, as shown in Table 3 below.

Table 3: Expenditures and Budget for New Irvington Tunnel Project

Category	Amount
Expenditures to Date	\$314,693,645
<u>Remaining Project Budget</u>	
Construction	\$18,188,657
Construction Management*	4,938,256
Project Management	745,581
Closeout	468,978
Right-of-Way	<u>75,878</u>
<i>Remaining Project Budget Subtotal</i>	\$24,417,350
Total Project Budget	\$339,110,995

* Includes requested \$1,000,000 design engineering services to be provided by URS Corporation.

Of the \$314,693,645 in expenditures to date, \$14,753,185 of the existing \$14,873,561 contract has already been expended for design engineering services provided by URS, such that only \$120,376 authorization remains under the current contract.

POLICY CONSIDERATION

As noted above, the New Irvington Tunnel Project budget has increased by \$124,460,995 or 58 percent from the original 2005 budget of \$214,650,000 to the revised budget of \$339,110,995. According to Mr. Jacobo, the New Irvington Tunnel Project has a remaining construction contingency of \$4,754,026. SFPUC estimates additional construction change orders to the New Irvington Tunnel Project totaling \$3,900,000, which would leave a remaining \$854,026 contingency.

Mr. Jacobo advises that if the New Irvington Tunnel Project encounters additional change orders or claims by the contractors that exceed the existing Project contingency amount of \$4,754,026, such claims would be paid by the WSIP Director's Reserve. The WSIP Director's Reserve receives funds from WSIP projects that have been completed under budget. The WSIP Director's Reserve has a current balance of \$37,775,475.

RECOMMENDATION

Approve the proposed resolution.