

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

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July 2, 2015


TO: Budget and Finance Sub-Committee
FROM: Budget and Legislative Analyst 
SUBJECT: July 8, 2015 Budget and Finance Sub-Committee Meeting

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Items 4 and 5 Files 15-0654 and 15-0645	Department: Health Service System (HSS)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • The proposed ordinance (File 15-0645) would amend Administrative Code Section 16.703, establishing the Health Service System’s 2016 health, vision, and dental plans and premiums. • The proposed resolution (File 15-0654) would approve the 2016 employers’ contribution of \$579.24 per member per month to the Health Service System Trust Fund. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • In accordance with the City’s Charter, the Health Service Board is required to conduct a survey of the ten most populous California counties each year to determine the average of the health premium contributions made by these counties. Based on this survey, the average 2016 contribution is \$579.24 per member per month, which is \$11.44 or 2.0 percent more than the ten-county average contribution of \$567.80 in 2015. • The June 2014 collective bargaining agreement eliminated the 10-county average survey as the method for calculating monthly premiums for active employees. Instead, the City and most unions elected to use a percentage-based employee premium contribution models. The 10-county average survey is still used as a basis for calculating all retiree premiums. • The total 2016 monthly health premiums for active employees-only coverage is proposed to be (a) \$756.67 for the City Plan, a 25.26 percent decrease from 2015, (b) \$554.02 for Kaiser, unchanged from 2015, and (c) \$721.53 for Blue Shield, a 11.46 percent increase from 2015. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • The total cost of health, vision, and dental, plans, along with long-term disability and life insurance plans, for only the City is \$565,299,226 in 2016, which is a \$22,764,853, or 4.2 percent increase from \$542,534,373 in 2015. • The Affordable Care Act imposes two fees and one tax on health plans that have been incorporated into the HSS 2016 monthly premiums, which will increase the cost of premiums for only the City and covered employees by an estimated \$14,880,000 in 2016. • As in 2015, health premium contributions in 2016 will be affected by cost-sharing agreements that were negotiated between the City and various City unions in 2014. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> • Approve the proposed resolution and ordinance. 	

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

City Charter Section A8.423 states that the Health Service Board is required to annually conduct a survey of the ten most populous California counties, excluding San Francisco, to determine the average contribution made by each county toward health plan premiums for employees, excluding dental plan premiums. City Charter Section A8.428 requires the City to contribute to the Health Service System Trust Fund to pay the costs of the health plan premiums. The City uses the 10-county average survey to determine the amount of the contribution for Health Service System members not covered by Memoranda of Understanding (MOUs) between the City and the respective labor unions that require other contribution amounts.

Background

The Health Service Board oversees the Health Service System (HSS). The HSS administers non-pension benefits, including health, dental, vision, and other benefits that may be available to City employees, such as life and long-term disability insurance.

The Health Service Board adopts the annual health, vision, and dental plans, and the respective plan premiums and premium equivalents paid by employers and members.

- HSS employers include the City and County of San Francisco (City), the San Francisco Unified School District (SFUSD), the San Francisco Community College District (SFCCD), and the San Francisco Superior Court (Superior Court).
- HSS members are active and retired employees of the above noted employers, their dependents, and members of eligible boards and commissions. Dependents include children, spouses, domestic partners, surviving spouses of deceased members, and other legal dependents.

The June 2014 MOUs between the City and the respective labor unions eliminated the 10-county average survey as the method for calculating the employer contribution to the monthly health plan premium for active employees. Instead, the City and most unions elected to use a percentage-based employee premium contribution model. The 10-county average survey is still used as a basis for calculating the employer contribution to the monthly health plan premium for all retirees. The 10-county average employer contribution in 2016 is \$579.24 per member per month, which is \$11.44 or 2.0 percent more than the 10-county average contribution of \$567.80 in 2015.

Health Service System Trust Fund

Under Charter Section A8.428, employer and HSS member contributions to health plan premiums are deposited in the Health Service System Trust Fund. As of June 30, 2014, the Health Service System Trust Fund balance was \$92,800,000.

DETAILS OF PROPOSED LEGISLATION

File 15-0654: The proposed resolution would approve the City's 2016 contribution to the Health Service System Trust Fund of \$579.24 per member per month.

File 15-0645: The proposed ordinance would amend Administrative Code Section 16.703 to approve the Health Service System's 2016 health, vision, and dental plans and premiums, and life insurance and long-term disability insurance plans and contribution rates.

Health Plans

On June 11, 2015, the Health Service Board approved the following health plans for plan year 2016:

Kaiser and Blue Shield Health Maintenance Organizations (HMO)¹

Consistent with the 2015 plan year, two HMOs will be offered to HSS members for the 2016 plan year: either Blue Shield of California or Kaiser. The Health Service Board adopted no plan design changes to the Kaiser HMO or the Blue Shield HMO.

City Plan Preferred Provider Organization (PPO)²

The City Plan is a self-funded plan administered by United HealthCare (UHC). The Health Service Board adopted no plan design changes for the City Plan in 2016.

Health Plan Premiums

On June 11, 2015, the Health Service Board approved the following health plan premiums for plan year 2016:

Blue Shield Premiums in 2016

The Blue Shield HMO plan is a flex-funded plan for active and non-Medicare retiree members.³ The Blue Shield monthly premium will increase in 2016 compared to 2015 by 11.5 percent for active employees and non-Medicare retirees. This increase is due to higher claims expenses and increased cost of specialty pharmaceuticals.

¹ An HMO (Health Maintenance Organization) offers care through a closed panel of providers, in which members select a primary care physician, who manages their care. The HMOs pay the medical groups on a per capita basis.

² Under a PPO, physicians, hospitals, and other providers are in network and paid by the purchaser (through a third party administrator) on a fee for service basis based on negotiated contracts.

³ The Health Service Board adopted the flex-funded plan in 2012. The flex-funded plan differs from the fully-insured plan in that (1) under the fully insured plan, Blue Shield pays all covered claims, while (2) under the flex-funded plan HSS is responsible for paying both the per capita rate and the hospital claim costs. Blue Shield acts as a third party administrator negotiating capitation rates and hospital rates. If the claims experience exceeds 125% of premiums, Blue Shield pays the balance.

Kaiser Premiums in 2016

The Kaiser Permanente premium rates for active employees and non-Medicare retirees in 2016 are unchanged from 2015. For retirees and their dependents who are both on Medicare, the premium rate in 2016 increases by 2.2 percent from the 2015 rate.

City Plan Premiums in 2016

The City Plan is a self-funded plan in which overall monthly premiums are set based upon projected claims experience. The City Plan monthly premiums will decrease for active employees and non-Medicare retirees due to lower than expected plan utilization in 2014 and use of the City Plan Stabilization Reserve, detailed below. For active employees and non-Medicare retirees, the City plan premiums decrease by 25.2 percent and 21.2 percent, respectively. For retirees with Medicare, the premiums increase by 3.2 percent.

Stabilization Reserve

HSS sets aside a portion of the Health Service System Trust Fund balance to stabilize the self-funded City Plan. The City Plan had a revenue surplus of \$10,900,000 in 2014 that was deposited into the Stabilization Reserve, resulting in a reserve balance of \$25,800,000. The Health Service Board allocated \$8,617,000, equal to one-third of the balance of \$25,800,000, to lower City Plan premium rates in accordance with the Health Service Board's Stabilization Reserve Policy, resulting in a remaining balance of \$17,183,000. At its meeting in May 2015, the Health Service Board also approved a one-time \$5,400,000 draw down from the Stabilization Reserve to subsidize City and member contributions to the City Plan for active employees and non-Medicare retirees, further reducing this reserve from \$17,183,000 to \$11,783,000.

Reduction of the City Plan premiums lowers the base by which these premiums will be subject to the anticipated 2018 Excise Tax on health plans imposed by the Affordable Care Act. Aon Hewitt, the Health Service System's actuary, estimates that the reduction will lower the tax paid by the City by \$2,748,000 in 2018.

United Health Care Medicare Advantage National PPO

In 2016, the HSS will offer a new fully insured National PPO Medicare Advantage program to Medicare retirees. The monthly premium for a single retiree with Medicare in 2016 is \$311.20, paid by the City.

Other HSS Benefits

On June 11, 2015, the Health Service Board approved the following vision, dental, life and long-term disability insurance plans and premiums for plan year 2016:

Vision Plan

Members enrolled in one of the four health plans receive vision benefits through Vision Service Plan (VSP), a third party insurer and a fully-insured plan. The cost of the vision plan is added to the cost of the medical plan for all monthly health plan premiums. VSP rates will increase by 1.0 percent in plan year 2016.

Dental Plans

The Health Service System offers three dental plans, including one PPO (Delta Dental PPO) and two HMOs (Delta Care USA and Pacific Union Dental). There are no plan changes in the dental plans for active employees. The City contributes the full monthly premium for active employees for the two HMOs and also contributes part of the monthly premium for active employees for Delta Dental PPO. The City does not contribute to the monthly dental premium for retired employees.

- The premiums in 2016 for the Delta Care USA and Pacific Union dental plans for active employees and retirees are unchanged from the 2015 plan year.
- The premium for the self-funded Delta Dental PPO plan for active employees will decrease by 2.9 percent in 2016. Premiums for retirees will decrease by 6.0 percent for plan year 2016 and remain at the same rate in plan year 2017.

Life and Long-Term Disability (LSD) Insurance

The Health Service System will continue its contract with Aetna Life Insurance Company to provide life and long-term disability insurance in 2016. Rates in 2016 remain unchanged from 2015 but overall contributions increase in 2016 due to the increase in covered employees as a result of labor negotiations (reflected in Table 1 below).

City and Employee Contribution Models

Starting January 1, 2015, in accordance with some MOUs between the City and the respective labor unions, employees covered by the respective MOUs began contributing to their monthly premiums based on the following contribution models.

- Under the '90/10 Contribution Model', employees covered by certain MOUs contribute up to a maximum of 10 percent of the monthly premium for employees only, after the City contribution based on the 10-county average survey has been applied. The calculation of the employee contribution for employee plus one or more dependents is determined by the specific MOUs.
- Under the '93/93/83 Contribution Model', the City will contribute up to 93 percent of the monthly premium for employee-only and employee plus one dependent coverage. The City's contribution to the monthly premium will be capped at 93 percent of the second-highest cost plan. The City will contribute up to 83 percent of the monthly

premium for employees with two or more dependents. The City's contribution will be capped at 83 percent of the second-highest cost plan. The 10-county average survey does not apply to this contribution model.

- Under the '100/96/83 Contribution Model', the City will contribute 100 percent of monthly premium for employee-only coverage. The City will contribute up to 96 percent of the monthly premium for employees with one dependent. The City's contribution will be capped at 96 percent of the second-highest cost plan. The City will contribute up to 83 percent of the monthly premium for employees with two or more dependents. The City's contribution will be capped at 83 percent of the second-highest cost plan. The 10-county average survey does not apply to this contribution model.

The Attachment to this report shows the City and employee monthly premium contributions for the '93/93/83 Contribution Model' and '100/96/83 Contribution Model' noted above.

Federal Affordable Care Act Requirements

According to the Aon Hewitt June 15, 2015 memorandum to the Board of Supervisors, the Affordable Care Act imposes two direct fees and one tax on health plans that have been incorporated into the HSS 2016 monthly premiums.

- The Health Insurance Tax (HIT) is applied to all fully insured or flex-funded plans, including the vision and dental plans offered by HSS. An insurer's tax obligation is calculated based on each insurer's net premiums. Aon Hewitt estimates that in 2016 the tax will increase premium payments for the City and its covered employees by an estimated \$12,820,000.
- The Patient Centered Outcomes Research Institute Fee (PCORI) is a per enrollee per year fee assessed to health plans in medical-only health plans in order to fund health care research. This fee will increase to \$2.25 in 2016. Aon Hewitt estimates that in 2016 the fee will increase premium payments for the City and its covered employees by an estimated \$210,000. The fee sunsets in 2019.
- The Transitional Reinsurance Fee (TRF) revenues subsidize reinsurance in the individual market, with the goal of lowering the cost of health insurance for higher-risk individuals in that market. The fee in 2016 is \$27 per enrollee per year (except for enrollees with Medicare). Aon Hewitt estimates that in 2016 the fee will increase premium payments for the City and its covered employees by an estimated \$1,850,000. The fee sunsets in 2017.

FISCAL IMPACT

As shown in Table 1 below, the total estimated City, employee, and retiree costs for the health, vision, and dental plans, as well as long-term disability and life insurance, is \$635,293,357 in 2016, which is a \$23,728,501 or 3.9 percent increase from \$611,564,856 in 2015.⁴

The total estimated costs for the health, vision, and dental plans, as well as long-term disability and life insurance, for the City in 2016 is \$565,299,226, which is a \$22,764,853, or 4.2 percent increase from \$542,534,373 in 2015. These amounts were included in the FY 2015-16 and FY 2016-17 budgets pending before the Board of Supervisors.

Table 1: Total Plan Costs for the City, Employees, and Retirees in 2016 Compared to 2015

	2015	2016	Increase/ (Decrease)	Percent
City Costs Only				
Kaiser HMO	235,119,907	235,753,491	633,584	0.3%
Blue Shield HMO	230,432,450	252,844,478	22,412,029	9.7%
City Plan	27,271,628	26,853,181	(418,447)	-1.5%
Subtotal Health and Vision Plan	492,823,984	515,451,151	22,627,166	4.6%
Dental	43,610,389	42,248,075	(1,362,314)	-3.1%
Long Term Disability and Life Insurance	6,100,000	7,600,000	1,500,000	24.6%
Total City Costs	542,534,373	565,299,226	22,764,853	4.2%
Employee and Retiree Costs Only				
Kaiser HMO	29,173,782	29,260,072	86,290	0.3%
Blue Shield HMO	29,642,088	33,448,635	3,806,547	12.8%
City Plan	6,598,772	3,581,584	(3,017,188)	-45.7%
Subtotal Health and Vision Plan	65,414,643	66,290,291	875,649	1.3%
Dental	3,483,840	3,483,840	0	0.0%
Long Term Disability and Life Insurance	132,000	220,000	88,000	66.7%
Total Employee and Retiree Costs	69,030,483	69,994,131	963,649	1.4%
Total Costs				
Kaiser HMO	264,293,689	265,013,563	719,874	0.3%
Blue Shield HMO	260,074,537	286,293,114	26,218,576	10.1%
City Plan	33,870,400	30,434,765	(3,435,635)	-10.1%
Subtotal Health and Vision Plan	558,238,627	581,741,442	23,502,815	4.2%
Dental	47,094,229	45,731,915	(1,362,314)	-2.9%
Long Term Disability and Life Insurance	6,232,000	7,820,000	1,588,000	25.5%
Total Costs	611,564,856	635,293,357	23,728,501	3.9%

Source: Health Service System

RECOMMENDATION

Approve the proposed resolution and ordinance.

⁴ Differences between the 2015 estimates included here and those used in the Budget and Legislative Analyst's report in July 2014 are due to updated Census figures (accessed May 18, 2015) used by the Health Service System to produce their estimates of how many members will enroll in each plan.

93/93/83 Contribution Model

	City Plan			Kaiser			Blue Shield		
	Employee	Employee + 1 Dependent	Employee +2 or More Dependents	Employee	Employee + 1 Dependent	Employee +2 or More Dependents	Employee	Employee + 1 Dependent	Employee +2 or More Dependents
<u>Members</u>									
Plan Year 2015	\$410.36	\$785.11	\$1,282.28	\$38.78	\$77.42	\$265.89	\$45.32	\$90.49	\$310.82
Plan Year 2016	\$85.65	\$144.72	\$414.13	\$38.78	\$77.42	\$265.91	\$50.51	\$100.87	\$346.50
\$ Increase/ (Decrease)	(\$324.71)	(\$640.39)	(\$868.15)	\$0.00	\$0.00	\$0.02	\$5.19	\$10.38	\$35.68
% Increase/ (Decrease)	-79.1%	-81.6%	-67.7%	0.0%	0.0%	0.0%	11.5%	11.5%	11.5%
<u>Employer</u>									
Plan Year 2015	\$602.05	\$1,202.24	\$1,517.54	\$515.20	\$1,028.51	\$1,298.16	\$602.05	\$1,202.24	\$1,517.54
Plan Year 2016	\$671.02	\$1,340.20	\$1,691.74	\$515.24	\$1,028.59	\$1,298.25	\$671.02	\$1,340.20	\$1,691.74
\$ Increase/ (Decrease)	\$68.97	\$137.96	\$174.20	\$0.04	\$0.08	\$0.09	\$68.97	\$137.96	\$174.20
% Increase/ (Decrease)	11.5%	11.5%	11.5%	0.0%	0.0%	0.0%	11.5%	11.5%	11.5%
<u>Total</u>									
Plan Year 2015	\$1,012.41	\$1,987.35	\$2,799.82	\$553.98	\$1,105.93	\$1,564.05	\$647.37	\$1,292.73	\$1,828.36
Plan Year 2016	\$756.67	\$1,484.92	\$2,105.87	\$554.02	\$1,106.01	\$1,564.16	\$721.53	\$1,441.07	\$2,038.24
\$ Increase/ (Decrease)	(\$255.74)	(\$502.43)	(\$693.95)	\$0.04	\$0.08	\$0.11	\$74.16	\$148.34	\$209.88
% Increase/ (Decrease)	-25.3%	-25.3%	-24.8%	0.0%	0.0%	0.0%	11.5%	11.5%	11.5%

100/96/83 Contribution Model

	City Plan			Kaiser			Blue Shield		
	Employee	Employee + 1 Dependent	Employee +2 or More Dependents	Employee	Employee + 1 Dependent	Employee +2 or More Dependents	Employee	Employee + 1 Dependent	Employee +2 or More Dependents
<u>Members</u>									
Plan Year 2015	\$0.00	\$746.33	\$1,282.28	\$0.00	\$44.24	\$265.89	\$0.00	\$51.71	\$310.82
Plan Year 2016	\$0.00	\$101.49	\$414.13	\$0.00	\$44.24	\$265.91	\$0.00	\$57.64	\$346.50
\$ Increase/ (Decrease)	\$0.00	(\$644.84)	(\$868.15)	\$0.00	\$0.00	\$0.02	\$0.00	\$5.93	\$35.68
% Increase/ (Decrease)	0.0%	-86.4%	-67.7%	0.0%	0.0%	0.0%	0.0%	11.5%	11.5%
<u>Employer</u>									
Plan Year 2015	\$1,012.41	\$1,241.02	\$1,517.54	\$553.98	\$1,061.69	\$1,298.16	\$647.37	\$1,241.02	\$1,517.54
Plan Year 2016	\$756.67	\$1,383.43	\$1,691.74	\$554.02	\$1,061.77	\$1,298.25	\$721.53	\$1,383.43	\$1,691.74
\$ Increase/ (Decrease)	(\$255.74)	\$142.41	\$174.20	\$0.04	\$0.08	\$0.09	\$74.16	\$142.41	\$174.20
% Increase/ (Decrease)	-25.3%	11.5%	11.5%	0.0%	0.0%	0.0%	11.5%	11.5%	11.5%
<u>Total</u>									
Plan Year 2015	\$1,012.41	\$1,987.35	\$2,799.82	\$553.98	\$1,105.93	\$1,564.05	\$647.37	\$1,292.73	\$1,828.36
Plan Year 2016	\$756.67	\$1,484.92	\$2,105.87	\$554.02	\$1,106.01	\$1,564.16	\$721.53	\$1,441.07	\$2,038.24
\$ Increase/ (Decrease)	(\$255.74)	(\$502.43)	(\$693.95)	\$0.04	\$0.08	\$0.11	\$74.16	\$148.34	\$209.88
% Increase/ (Decrease)	-25.3%	-25.3%	-24.8%	0.0%	0.0%	0.0%	11.5%	11.5%	11.5%

Item 6 File 15-0618	Department: Office of Contract Administration (OCA)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the first amendment to each of the three contracts between the Office of Contracts and Administration (OCA) and En Pointe Technologies, Inc. (En Pointe), ComputerLand of Silicon Valley (ComputerLand), and Xtech Joint Venture (Xtech). The first amendment increases the (a) En Pointe contract by \$19 million, from \$12 million to \$31 million, (b) ComputerLand contract by \$20 million, from \$12 million to \$32 million, and (c) Xtech by \$20 million, from \$12 million to \$32 million. The total increase in the three contracts is \$59 million from \$36 million to \$95 million. The contracts' end dates of September 30, 2017 are unchanged. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In September 2014, the Board of Supervisors authorized OCA to award contracts to nine Tier 1A Technology Marketplace technology companies, each for a not-to-exceed amount of \$12,000,000 from October 1, 2014 through September 30, 2017, with two one-year options to extend at the sole discretion of OCA. • En Pointe Technologies, Inc., ComputerLand of Silicon Valley, and Xtech Joint Venture are three of the nine contracted technology companies currently participating in the Tier 1A Technology Marketplace. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The three existing Technology Marketplace contracts combined have a total not-to-exceed amount of \$36,000,000 for the three-year term from October 1, 2014 through September 30, 2017. During the first eight months of the Technology Marketplace contracts from October 2014 through May 2015, City departments expended or encumbered approximately 60 percent or \$21,652,747 of the total combined contracts' not-to-exceed amount of \$36,000,000. • According to OCA, the requested increase in the not-to-exceed amount of each of the three contracts is projected to be sufficient for estimated contract expenditures from May 2015 through the end of the contract term in September 2017. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

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 expenditures of \$10,000,000 or more, or amendments to such agreements of more than \$500,000 be subject to the approval of the Board of Supervisors by resolution.

BACKGROUND

The Office of Contract Administration (OCA) established the Technology Marketplace to enable City departments to order a broader range of information technology-related products and services, which are purchased by individual City departments on an as needed basis. The Technology Marketplace serves as a replacement for the City's Technology Store and in September 2014, the Board of Supervisors authorized OCA to award contracts to nine technology companies to participate in the Technology Marketplace.¹

Each of the nine contracts was selected through a competitive Request for Proposals (RFP) process and was approved for a not-to-exceed amount of \$12,000,000, each for three years from October 1, 2014 through September 30, 2017, with two one-year options to extend at the sole discretion of OCA. En Pointe Technologies, Inc., ComputerLand of Silicon Valley, and Xtech Joint Venture are three of the nine contracted technology companies currently participating in the Technology Marketplace; each has a not-to-exceed contract amount of \$12,000,000. These three technology companies are categorized as Tier 1A contracts, which consist of Technology Marketplace contracts of \$10,000,000 or more and that provide at least nine of the products and services listed in the original RFP. There are no differences in the services provided to City departments by each of these three technology companies.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to each of the three contracts between the Office of Contract Administration (OCA) and En Pointe Technologies, Inc. (En Pointe), ComputerLand of Silicon Valley (ComputerLand), and Xtech Joint Venture (Xtech) to increase the not-to-exceed contract amount of each contract, as shown in Table 1 below. All other terms, including the initial contract term, which expires on September 30, 2017, will remain the same.

¹ The nine technology companies include En Pointe Technologies, Inc., World Wide Technology, Inc., ComputerLand of Silicon Valley, Xtech Joint Venture, Technology Integration Group, Central Computers, Stellar Services, Robert Hald Technology, and Intervision Systems Technologies, Inc.

Table 1. Proposed Increase in Contract Not-to-Exceed Amount

Contract	Current	Proposed	Increase
En Pointe Technologies, Inc.	\$12,000,000	\$31,000,000	\$19,000,000
ComputerLand of Silicon Valley	12,000,000	32,000,000	20,000,000
Xtech Joint Venture	12,000,000	32,000,000	20,000,000
Total	\$36,000,000	\$95,000,000	\$59,000,000

Source: Office of Contracts and Administration (OCA) staff.

FISCAL IMPACT

The three existing Technology Marketplace contracts combined have a total not-to-exceed amount of \$36,000,000 for the three-year term from October 1, 2014 through September 30, 2017, as shown in Table 1 above. During the first eight months of the Technology Marketplace contracts from October 2014 through May 2015, City departments expended or encumbered approximately 60 percent or \$21,652,747 of the total combined contracts' not-to-exceed amount of \$36,000,000, as shown in Table 2 below.

Table 2. Technology Market Place Contract Actual Expenditures and Encumbrances
(October 2014 through May 2015)

Contract	Amount
En Point Technologies, Inc.	\$7,263,556
ComputerLand Silicon Valley	6,283,517
Xtech Joint Venture	8,105,674
Total	\$21,652,747

Source: Office of Contracts and Administration (OCA) staff based on City's EIS Reporting system.

According to OCA, the requested increase in the not-to-exceed amount of each of the three contracts is projected to be sufficient for estimated contract expenditures from May 2015 through the end of the contract term in September 2017. OCA will submit future contract amendments to the Board of Supervisors for approval if OCA needs to further increase the contract not-to-exceed amounts prior to the initial contract termination dates of September 30, 2017.

All expenditures under these contracts are subject to appropriation approval by the Board of Supervisors in the City's annual budgets.

RECOMMENDATION

Approve the proposed resolution.

Item 8 File 15-0548	Department: San Francisco International Airport (Airport)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the third amendment to the existing Curbside Management Program Agreement between the Airport and FSP PPM Management, exercising the third and final one-year option to extend the existing agreement from July 1, 2015 through June 30, 2016, increasing the not-to-exceed agreement amount by \$3,961,307 from \$16,938,693 to a not-to-exceed amount of \$20,900,000. <p>Key Points</p> <ul style="list-style-type: none"> • In 1999, the Airport established the Curbside Management Program to consolidate the management and monitoring of the Airport’s ground transportation services and increase the utilization of ground transportation services through improved customer service. • In 2010, based on a competitive process the Board of Supervisors approved an agreement with FSP PPM in an amount not-to-exceed \$10,450,000 for a two and one-half year term from January 1, 2011 through June 30, 2013. • In 2013, the Board of Supervisors approved a one-year extension of the agreement with FSP PPM to continue the Curbside Management Program through June 30, 2014 and increased the not-to-exceed amount by \$4,186,814 to \$14,636,814. • In 2014, the Board of Supervisors approved a second one-year extension of the agreement with FSP PPM to continue the Curbside Management Program through June 30, 2015 and increased the not-to-exceed amount by \$2,301,879 to \$16,938,693. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • Total estimated agreement expenditures from January 1, 2011 through June 30, 2015 are \$16,303,821. The Budget and Legislative Analyst estimated the agreement budget in FY 2015-16 to be \$4,597,108, based on information provided by the Airport. Therefore, total agreement expenditures through the end of the contract in FY 2015-16 are \$20,900,929. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT / BACKGROUND

Mandate Statement

City Charter Section 9.118(b) states that contracts entered into by a department, board or commission having a term of (a) more than 10 years; (b) anticipated expenditures of \$10 million or more; or (c) modifications to these contracts of more than \$500,000, require Board of Supervisors approval.

Background

In 1999, the Airport established the Curbside Management Program to consolidate the management and monitoring of the Airport's ground transportation services and increase the utilization of ground transportation services¹ through improved customer service.

On November 16, 2010, based on a competitive process, the Board of Supervisors approved the existing Curbside Management Program Agreement with FSP PPM Management in an amount not-to-exceed \$10,450,000 for a two and one-half year term from January 1, 2011 through June 30, 2013 (File 10-1294), with three one-year options to extend the agreement through June 30, 2016, subject to Board of Supervisors approval.

In June 2013, the Board of Supervisors approved a one-year extension of the agreement with FSP PPM Management to continue the Curbside Management Program through June 30, 2014 (File 13-0391), and increased the not-to-exceed amount by \$4,186,814 for a new total not-to-exceed amount of \$14,636,814.

In June 2014, the Board of Supervisors approved a second one-year extension of the agreement with FSP PPM Management to continue the Curbside Management Program through June 30, 2015 (File 14-0376), and increased the not-to-exceed amount by \$2,301,879 for a new total not-to-exceed amount of \$16,938,693.

Services Provided Under Existing Curbside Management Program Agreement

Under the existing Curbside Management Program Agreement, the scope of work includes:

- Shared Ride Van: FSP PPM Management manages and monitors shared van operations by (a) ensuring that shared vans wait in the designated van lots, (b) grouping passengers going to similar destinations at each of the nine van curb zones, (c) dispatching vans from the van lots to the van curb zones to ensure that van companies are rotating, (d) providing van operation information to air passengers, and (e) arranging appropriate ground transportation services for people with special needs (physically disabled, visually impaired or elderly).
- Limousine Operations: FSP PPM Management manages and monitors limousine operations by (a) monitoring and documenting the departure times of non-stretch and stretch

¹ Ground transportation services include shared van, limousine and taxicab operations and Transportation Network Company services (including Lyft, Uber and Sidecar) for passengers at the Airport.

limousines that enter the limousine loading zones,² (b) providing ground transportation information to air passengers, and (c) arranging appropriate ground transportation services for people with special needs (physically disabled, visually impaired or elderly).

- Taxi Operations, Taxi Smartcard Revenue System Operations and Taxi Cashier Operations: FSP PPM Management manages and monitors taxi operations by (a) ensuring that taxis wait in the designated Main Taxicab Holding Lot or the Taxicab Overflow lot, (b) dispatching taxis from the designated Main Taxicab Holding Lot to the four taxi zones to meet passenger demand, (c) providing taxi operation information to air passengers, and (d) arranging appropriate ground transportation services for people with special needs (physically disabled, visually impaired or elderly).

In addition, FSP PPM Management also operates the taxi smartcard revenue system. The Airport requires that taxi drivers pay a trip fee³ to the Airport to pick up passengers at the Airport. The taxi smartcard revenue system automatically collects these fees from individual taxi drivers using smartcards. Operating the taxi smartcard-based revenue system includes (a) inputting taxi driver information into the taxi smartcard-based revenue database, (b) issuing new or replacement smartcards to taxi drivers, (c) collecting unused or returned smartcards from taxi drivers, (d) filing and maintaining the collected taxi driver information, and (e) troubleshooting and maintaining the system.

- Transportation Network Companies Holding Lot: As the result of 2014 agreements with Transportation Network Companies (TNCs) including Lyft, Uber and Sidecar that allow these companies to operate legally at the Airport, FSP PPM Management now manages and monitors the TNC holding lot.

Expenditures under the Existing Curbside Management Program Agreement

Under the existing Curbside Management Program Agreement, FSP PPM Management submits invoices to the Airport for the actual costs of salaries, fringe benefits, and other direct costs for reimbursement. The management fees paid by the Airport to FSP PPM Management are a fixed amount that is equally divided and paid on a monthly basis.

Total Curbside Management Program expenditures paid by the Airport to FSP PPM Management from January 1, 2011 through April 30, 2015 are \$15,678,271, as shown in Table 1 below.

² Limousine loading zones include any of the white zones in Domestic Terminal 1 and Domestic Terminal 3 (for non-stretch limousines only), one limousine curb zone in the Domestic Terminal 2 (all limousines) and one limousine curb zone in the International Terminal (all limousines).

³ The trip fee consists of \$4.00 for a regular trip (a trip that is over 30 minutes). If the trip is less than 30 minutes, then when the taxi comes back to pick up passengers, the 2nd trip is free. If the 2nd trip is less than 30 minutes, then when the taxi comes back to pick up passengers, the 3rd trip is \$2.00. The less than 30-minute fees will rotate (i.e. 2nd trip is free, 3rd trip is \$2.00, 4th trip is free, 5th trip is \$2.00) until the taxi driver gets another regular trip in which they would have to pay another \$4.00.

**Table 1: Curbside Management Program Expenditures
Payable by the Airport to FSP PPM Management**

	FY 2010-11 January 1, 2011 – June 30, 2011 (6 months)	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15 July 1, 2014 – April 30, 2015 (10 months)	Total
<u>Salaries, including overtime</u>						
Assistant General Manager	\$32,083	\$64,167	\$35,208	\$70,167	\$33,446	\$235,071
Curbside Managers	77,132	229,537	237,954	223,730	168,524	936,877
Taxi Supervisors	91,443	212,101	225,930	222,727	185,963	938,164
Limousine/ Van-Supervisors	83,481	220,684	185,910	194,471	158,159	842,706
Taxi Dispatchers	466,184	1,042,892	1,068,546	1,114,340	1,025,971	4,717,933
Limousine Monitors	16,111	34,200	31,717	35,394	29,789	147,211
Administrative Assistants	53,548	98,035	81,435	82,987	72,616	388,621
TNC Monitors					28,417	28,417
Salaries Subtotal	819,982	1,901,616	1,866,700	1,943,816	1,702,885	8,234,999
Fringe Benefits	299,406	756,195	822,248	860,031	717,820	3,455,700
Salaries and Fringe Benefits	\$1,119,388	\$2,657,811	\$2,688,948	\$2,803,847	\$2,420,705	\$11,690,699
Other Direct Costs	\$224,081	\$141,147	\$192,980	\$200,055	\$104,558	\$862,821
<u>Management Fees</u>						
General Manager Salary	47,500	61,484	98,199	95,000	78,333	380,516
General Manager Benefits	14,275	28,861	28,746	27,807	19,247	118,936
Insurance Premiums	128,700	220,170	219,289	220,170	177,584	965,913
Profit and Overhead ⁴	151,911	396,956	393,259	389,934	327,325	1,659,386
Management Fees Subtotal	\$342,386	\$707,471	\$739,493	\$732,911	\$602,489	\$3,124,751
Total Expenditures	\$1,685,855	\$3,506,429	\$3,621,421	\$3,736,813	\$3,127,752	\$15,678,271

Evaluation of Proposed Curbside Management Program

The Airport has evaluated FSP PPM Management's performance under the existing Curbside Management Program Agreement on a quarterly basis beginning in January 2012 to ensure that specified benchmarks and goals were met. The Airport evaluated FSP PPM Management performance using the following 10 performance measures on a scale from one point to five points with five points being excellent and one point being poor:

1. Operate the Curbside Management Program with zero lost time due to injuries.
2. Maintain an active Safety Committee by conducting quarterly meetings, reporting and documenting safety hazards and documenting the resolution of all hazards.
3. Provide excellent customer service resulting in minimal complaints.
4. Provide initial and service training to new employees.

⁴ The Airport's Contribution to profit and overhead cannot exceed seven percent of total expenditures (which include the Van Coordinator salaries funded by Van Operator companies, not a part of this budget) under the existing Curbside Management Program agreement.

5. Provide ongoing training for all employees.
6. Conduct and document weekly supervisory and management meetings.
7. Provide initial communication training to both Curbside Management Program staff and management.
8. Provide on-going annual refresher communication training to both Curbside Management Program staff and management.
9. Provide training on preparing and/or reviewing incident reports and submit reports weekly to the Airport.
10. Monitor the Curbside Management Program budget to ensure that funds are properly expended.

Under the existing Curbside Management Program agreement, FSP PPM Management needed to score a minimum average of three points for each performance measure or submit a written improvement plan to the Airport within 15 days of receiving the evaluation results. According to Mr. Daniel Pino, Senior Transportation Planner at the Airport, the Airport conducted performance reviews in 2014 and FSP PPM Management received an average rating of 4.8 out of a possible 5 points for each performance measure.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the third amendment to the existing Curbside Management Program Agreement between the Airport and FSP PPM Management, exercising the third (last) one-year option to extend the existing agreement from July 1, 2015 through June 30, 2016, increasing the not-to-exceed agreement amount by \$3,961,307 from \$16,938,693 to a not-to-exceed amount of \$20,900,000.

FISCAL IMPACT

The proposed third amendment to the existing Curbside Management Program Agreement increases the total agreement not-to-exceed amount to \$20,900,000, an increase of \$3,961,307 for the one-year period from July 1, 2015 through June 30, 2016 from the existing agreement not-to-exceed amount of \$16,938,693. The Budget and Legislative Analyst estimated the budget under the last one-year option to extend the existing agreement with FSP PPM Management at \$4,597,108, based on information provided by the Airport and shown in Table 2 below.

Table 2: Budget and Legislative Analyst's Estimated Budget under the Last One-Year Option to Extend the Existing Agreement with FSP PPM Management

Salaries	\$2,457,244
Fringe Benefits	<u>1,105,760</u>
Subtotal Salaries and Fringe Benefits	3,563,004
Other Direct Costs	283,887
Management Fees	750,217
Total Budget	\$4,597,108

The Budget and Legislative Analyst recommends approval of the proposed resolution to increase the Curbside Management Program not-to-exceed amount to \$20,900,000, based on the following calculations in Table 3 below.

Table 3: Budget and Legislative Analyst's Estimated Total Agreement Amount

Actual expenditures through April 30, 2015 (see Table 1 above)	\$15,678,271
Projected expenditures May 1, 2015 through June 30, 2015	<u>625,550</u>
Total expenditures January 1, 2011 through June 30, 2015	16,303,821
FY 2015-16 budget (see Table 2 above)	4,597,108
Total estimated not-to-exceed contract expenditures, from January 1, 2011 through June 30, 2016	\$20,900,929

RECOMMENDATION

Approve the proposed resolution.

Item 9 File 15-0689	Department: San Francisco Municipal Transportation Agency (MTA)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the second amendment to the existing towing service agreement and property use license between the San Francisco Municipal Transportation Agency (MTA) and San Francisco AutoReturn to (i) extend the service agreement by eight months from August 1, 2015 through March 31, 2016; and (ii) authorize a rent credit from MTA to AutoReturn for \$53,000 per month, totaling \$424,000 over the proposed eight-month extension period. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • On July 31, 2005, MTA entered into a towing service agreement and property use license with Tegsco, LLC d.b.a. San Francisco AutoReturn (AutoReturn) following a competitive Request for Proposals (RFP) process. • Under the existing agreement, the revenues collected by AutoReturn are used to pay for operating expenses. AutoReturn pays MTA one percent of all gross revenues and a per vehicle referral fee. • AutoReturn uses two privately-owned facilities to perform the vehicle storage services under this agreement. The monthly rental rate for the 7th and Harrison Street short-term storage facility was increased by \$53,621 from \$36,379 to \$90,000 as of March 1, 2015. This increase was an adjustment to the market rental rate following the expiration of the long-term lease held by AutoReturn at the end of February 2015. • A new fee waiver policy, for towed vehicles that are determined to have been stolen, will go into effect on December 1, 2015. The new fee waiver policy will require AutoReturn to waive or reimburse fees paid by San Francisco residents as well as non-residents whose vehicles were stolen and then subsequently towed. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The total estimated net revenues payable by AutoReturn to the MTA under the proposed second amendment are \$181,794 for the proposed eight-month extension period of the existing agreement from August 1, 2015 through March 31, 2016. • According to Mr. Steven Lee, MTA Senior Manager of Financial Services and Contracts, the proposed \$424,000 rent credit over the proposed eight-month extension period is reasonable as it provides time for MTA to award a new towing agreement and is needed to offset AutoReturn's rental costs during the eight-month extension period. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

Mandate Statement

Charter Section 9.118(a) requires that any contract entered into by a Department, which has anticipated revenues of one million dollars or more, or the modification, amendment or termination of any contract which when entered into had anticipated revenue of one million dollars or more shall be subject to approval of the Board of Supervisors by resolution.

BACKGROUND

On July 31, 2005, the San Francisco Municipal Transportation Agency (MTA) entered into a towing service agreement and property use license with Tegsco, LLC d.b.a. San Francisco AutoReturn (AutoReturn) following a competitive Request for Proposals (RFP) process. Under this existing service agreement, AutoReturn provides services consisting of towing, storage, and disposal of abandoned and illegally parked vehicles on behalf of the San Francisco Police Department (SFPD) and the MTA. Under the existing agreement, the revenues collected by AutoReturn are used to pay for operating expenses. Further, under the existing agreement, AutoReturn pays MTA one percent of all gross revenues and a per vehicle referral fee.¹

The original agreement, which was previously approved by the Board of Supervisors, was for five years from August 1, 2005 through July 31, 2010. Although the agreement provided for an option to extend, at the sole discretion of the MTA, the agreement did not specify the term of the extension.

First Amendment and Revision to the Original Service Agreement

In June 2007, the Board of Supervisors approved the first amendment to the agreement to increase the towing and storage fee rate, payable by the owners of towed vehicles to AutoReturn, due to a significant drop in towing volume. The increase to the towing and storage fee was to offset decreases in AutoReturn's gross revenue from declining tow volumes and fixed contract costs.

In July 2010, the Board of Supervisors approved a five-year extension of the existing service agreement and property use license between the MTA and AutoReturn from August 1, 2010 through July 31, 2015.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the second amendment to the existing towing service agreement and property use license between MTA and AutoReturn. Under the proposed second amendment, MTA would:

¹ The per vehicle referral fee is a fee paid by AutoReturn to the MTA for each tow referred by the San Francisco Police Department and MTA Parking Enforcement Control Officers.

- Extend the agreement for an eight-month period from August 1, 2015 through March 31, 2016, while the MTA completes a competitive Request For Proposals (RFP) process for awarding a new towing service agreement; and
- Authorize a rent credit to AutoReturn of \$53,000 per month, totaling \$424,000 over the eight-month extension period, to offset the increased monthly rent being paid by AutoReturn for the rental of a short-term storage facility located at 7th and Harrison Streets.

Increase in Rental Rate for Short-Term Storage Facility located at 7th and Harrison Streets

AutoReturn uses two privately-owned facilities to perform the vehicle storage services under this agreement, including (i) the long-term storage facility located at 2650 Bayshore Boulevard,² and (ii) the short-term storage facility located at 7th & Harrison Streets. AutoReturn's monthly rent for the 7th and Harrison Street location was increased by \$53,621 from \$36,379 to \$90,000 as of March 1, 2015. This increase was an adjustment to the market rental rate following the expiration of the long-term lease held by AutoReturn at the end of February 2015.

Fee Waiver for Stolen Vehicles

A new fee waiver policy, for towed vehicles that are determined to have been stolen, will go into effect on December 1, 2015. The new fee waiver policy will require AutoReturn to waive or reimburse fees paid by San Francisco residents as well as non-residents whose vehicles were stolen and then subsequently towed. This policy was adopted by the MTA in response to the November 2014 Board of Supervisors request made to MTA to evaluate the feasibility of waiving or mitigating towing and storage fees for owners of vehicles that were towed and then identified by the San Francisco Police Department as having been stolen.

FISCAL IMPACT

Under the existing agreement between the MTA and AutoReturn, AutoReturn is required to pay the MTA annual payments consisting of one percent of all gross revenues realized by AutoReturn and a per vehicle referral fee of \$22.50 per vehicle towed, if the towed vehicles were referred by the San Francisco Police Department or MTA Parking Enforcement Control Officers. Table 1 below shows the payments made by AutoReturn to MTA, totaling \$13,709,492 over the ten-year term from August 1, 2005 through July 31, 2015.

² In May 2014, the Board of Supervisors approved the transfer of the long-term storage facility from Pier 70 to 2650 Bayshore Boulevard.

Table 1. Annual Payments Paid by AutoReturn to MTA

Fiscal Year	Referral Fees	1% of Gross Revenue	Total Revenues Paid to MTA
FY 2005-06	\$1,261,905	\$153,739	\$1,415,644
FY 2006-07	1,332,164	166,903	1,499,067
FY 2007-08	1,373,579	208,090	1,581,669
FY 2008-09	1,409,100	216,911	1,626,011
FY 2009-10	1,227,336	187,087	1,414,423
FY 2010-11	1,146,828	186,268	1,333,096
FY 2011-12	1,123,498	186,491	1,309,989
FY 2012-13	979,811	163,580	1,143,391
FY 2013-14	1,043,354	160,935	1,204,289
FY 2014-15 (est.)	1,019,655	162,258	1,181,913
Total	\$11,917,230	\$1,792,262	\$13,709,492

Source: Municipal Transportation Agency (MTA) staff.

The total estimated net revenues payable by AutoReturn to the MTA under the proposed second amendment are \$181,794 for the proposed eight-month extension period of the existing agreement from August 1, 2015 through March 31, 2016, as shown in Table 2 below.

Table 2. Estimated Net Revenues to MTA during Proposed Eight-Month Extension of Existing Agreement

Estimated Revenues Payable by AutoReturn to MTA during Eight-Month Extension	\$831,794
Rent Credit Paid by MTA to AutoReturn	(424,000)
Reimbursement by MTA to AutoReturn for Waiver of Fees for Towed Stolen Vehicles	(226,000)
Net Estimated Revenues Paid by AutoReturn to MTA	\$181,794

Source: Municipal Transportation Agency (MTA) staff.

*Projected revenues paid to MTA by AutoReturn calculated as the average annual payment received by MTA over four fiscal years from FY 2010-11 through FY 2013-14.

According to Mr. Steven Lee, MTA Senior Manager of Financial Services and Contracts, at the request of AutoReturn, the proposed \$424,000 rent credit is needed to offset AutoReturn's increased rental costs during the proposed eight-month extension period due to the decline in tow volumes. According to Mr. Lee, MTA considers this rent credit to be reasonable over the eight-month extension period, providing time for the MTA to award a new towing agreement. MTA issued the new RFP on June 26, 2015 and anticipates that a new towing service agreement, which would be subject to Board of Supervisors approval, should be awarded by March of 2016.

RECOMMENDATION

Approve the proposed resolution.

Item 11 File 15-0616	Department: Public Utilities Commission (PUC)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <p>The proposed resolution would (1) approve a Purchase and Sale Agreement between the City and County of San Francisco and the Jefferson Elementary School District for the acquisition of seven Easements located in San Mateo County and owned by the Jefferson Elementary School District for \$426,000 to be used for the San Francisco Public Utility Commission’s Regional Groundwater Storage and Recovery Project; (2) adopt findings under the California Environmental Quality Act; and (3) adopt findings that the purchase of the Easements is consistent with the City’s General Plan and the eight priority policies of San Francisco Planning Code, Section 101.1.</p> <p>Key Points</p> <ul style="list-style-type: none"> • In 2012, the San Francisco Public Utilities Commission (SFPUC) initiated the Regional Groundwater Storage and Recovery Project (Project). The Project consists of the construction of 16 groundwater wells and well stations with total capacity of 7.2 million gallons of water to be used as a regional dry-year water supply. The estimated Project cost is \$133,580,000, and is scheduled to be completed in July 2018. • Construction for the Project requires that the City and County of San Francisco acquire seven easements (Easements) across portions of property owned by the Jefferson Elementary School District, located in unincorporated San Mateo County. • Under the Purchase and Sale Agreement, the City would purchase seven Easements, including two temporary construction easements and five permanent easements, at a total cost of \$426,000 from the Jefferson Elementary School District for use by the SFPUC for its Regional Groundwater Storage and Recovery Project. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • Based on 71,984 total square feet at an average cost per square foot of \$5.92, as determined by an appraisal firm, the cost of acquiring the Easements is \$426,000. Funding for the \$426,000 was previously appropriated by the Board of Supervisors under the Water System Improvement Program. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that contracts entered into by a department, board or commission having a term of (a) more than 10 years; (b) anticipated expenditures of \$10 million or more; or (c) modifications to these contracts of more than \$500,000, are subject to Board of Supervisors approval.

Administrative Code Section 23.4 provides that acquisitions of real property are subject to Board of Supervisors approval.

BACKGROUND

Groundwater Storage and Recovery Project

In 2012, the San Francisco Public Utilities Commission (SFPUC) initiated the Regional Groundwater Storage and Recovery Project (Project). The Project consists of the construction of 16 groundwater wells and well stations with total capacity of 7.2 million gallons of water to be used as a regional dry-year water supply. The wells will connect the SFPUC's water transition system to water systems of Daly City, the City of San Bruno and the California Water Service Company. The estimated Project cost is \$133,580,000, and is scheduled to be completed in July 2018. 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 Board of Supervisors previously appropriated \$113,580,000 in Water Revenue Bonds for the Project¹. In October 2014, the Board of Supervisors adopted findings related to the California Environmental Quality Act (CEQA) and the San Francisco Planning Commission's General Plan findings for the Project (File No. 14-0945).

Acquisition of Easements

Construction for the Project requires that the City and County of San Francisco acquire seven easements (Easements) across portions of property owned by the Jefferson Elementary School District, located in unincorporated San Mateo County. The Real Estate Division retained Associated Right of Way Services, Inc., to appraise the value of the easements. Associated Right of Way Services, Inc. is a consulting firm specializing in acquisition of property for public projects². On August 12, 2014, the SFPUC approved the proposed acquisition of the Easements.

¹ Files 10-0337, 11-1031, 13-0483 appropriated funds for the Project, and additional monies were funded from previous WSIP appropriations in files 92-10, 104-03, 65-04, 54-05, 196-05, 89-06, 22-07, 53-08, 247-08, 311-08, 37-09, and 230-11.

² The appraisal value was determined by comparing four sales of similar properties throughout the Bay Area. The price for these sales ranged from \$32.98 to \$75.83 per square foot. Value of the subject property was determined to be \$45 per square foot at its highest and best use. However, the subject property is currently used for recreational purposes, which limits its future use, thus reducing its value to an average price of \$5.92 per square foot.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve a Purchase and Sale Agreement between the City and County of San Francisco and the Jefferson Elementary School District for the acquisition of seven easements, located in San Mateo County, owned by the Jefferson Elementary School District for \$426,000 to be used for the SFPUC's Regional Groundwater Storage and Recovery Project; (2) adopt findings under the California Environmental Quality Act; and (3) adopt findings that the purchase of the Easements is consistent with the City's General Plan and the eight priority policies of San Francisco Planning Code, Section 101.1³.

Purchase and Sale Agreement for Easements

Under the Purchase and Sale Agreement, the City would purchase seven Easements, including two temporary construction easements and five permanent easements, at a total cost of \$426,000 from the Jefferson Elementary School District for use by the SFPUC for its Regional Groundwater Storage and Recovery Project. Table 1 below summarizes the Easements to be purchased.

Table 1: Purchase of Seven Easements

Easement	Square Feet	Approximate Price per Square Foot	Amount
Two Temporary Construction Easements			
<i>Subtotal, Two Temporary Construction Easements</i>	<i>43,926</i>	<i>\$3.37</i>	<i>\$148,057</i>
Five Permanent Easements			
Access Road	12,702	\$6.75	\$85,739
Electrical/Telephone	2,557	\$9.00	23,013
Storm Drain Easement	6,134	\$9.00	55,206
Building/Well	2,082	\$45.00	93,690
Water Pipeline	<u>4,583</u>	<u>\$4.50</u>	<u>20,624</u>
<i>Subtotal, Permanent Easements</i>	<i>28,058</i>		<i>\$278,272</i>
Total	71,984		\$426,329⁴

The temporary construction easements expire after nine months, and the SFPUC has the option to extend the term for an additional nine months on a month-to-month basis, for a total term

³ The Eight Priorities of City Planning Code Section 101.1 include: (1) Existing neighborhood-serving retail uses must be preserved and enhanced, and future opportunities for resident employment in and ownership of such businesses enhanced; (2) existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods; (3) the City's supply of affordable housing be preserved and enhanced; (4) commuter traffic not impede Muni transit service or overburden our streets or neighborhood parking; (5) that a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced; (6) the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake; (7) that landmarks and historic buildings be preserved; and (8) parks and open space and their access to sunlight and vistas be protected from development.

⁴ The total purchase price of all seven easements is \$426,329. However, the negotiated sale price was rounded down to \$426,000.

of eighteen months. SFPUC will continue to pay the same rate for the easements during the extension period. According to Mr. Joshua Keene, Project Manager at the Real Estate Department, temporary easements were considered to be the appropriate transaction to secure rights to use the subject property because they are irrevocable, unlike a lease which does not confer the same level of protection. Mr. Keene further states that the use of easements is standard for construction projects, which require high fixed costs of capital, and require a higher level of protection for a project to move forward.

CEQA Findings and City's General Plan

As stated previously, the Board of Supervisors adopted CEQA findings and the San Francisco Planning Commission's General Plan Findings for the Project in October 2014. The proposed resolution would find that the acquisition of the Easements is within the scope of the Project analyzed in the CEQA findings and the Planning Commission's findings that the Project is consistent with the City's General Plan and Planning Code.

FISCAL IMPACT

Based on 71,984 total square feet at an average cost per square foot of \$5.92, as determined by an appraisal firm, the cost of acquiring the Easements is \$426,000. Funding for the \$426,000 was previously appropriated by the Board of Supervisors under the Water System Improvement Program.

RECOMMENDATION

Approve the proposed resolution.