

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

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September 10, 2015


TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: September 16, 2015 Budget and Finance Committee Meeting

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Item 3 File 15-0826	Department: Public Utilities Commission (PUC)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <p>The proposed resolution would approve a Purchase and Sale Agreement between the City and County of San Francisco, through the SFPUC, and the Costco Wholesale Corporation for the acquisition of four easements located in San Mateo County and owned by Costco Wholesale Corporation in the amount of \$190,000. The four easements will be used for the San Francisco Public Utilities Commission's Regional Groundwater Storage and Recovery Project. The proposed resolution would also adopt findings that the purchase of the four 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 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 \$113,580,000, and is scheduled to be completed in July 2018. • Construction for the Project requires that the City and County of San Francisco acquire four easements across portions of property owned by Costco Wholesale Corporation, located in San Mateo County. • Under the Purchase and Sale Agreement, the City would purchase four easements, including one temporary construction easement, one permanent electrical easement, one permanent groundwater well connection easement, and one permanent utility water connection easement, at an average per square foot cost of \$2.69 and a total cost of \$190,000 from Costco Wholesale Corporation for use by the San Francisco Public Utilities Commission for its Regional Groundwater Storage and Recovery Project. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • Funding for the \$190,000 was previously appropriated by the Board of Supervisors under the Regional Groundwater Storage and Recovery Project as part of the SFPUC Water System Improvement Program. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

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 per day to be used as a regional dry-year water supply. The wells will connect SFPUC's water transition system to the water systems of Daly City, the City of San Bruno, and the California Water Service Company. The Project has an estimated cost of \$113,580,000 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 Project.¹ 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 four easements (Easements) across portions of property owned by Costco Wholesale Corporation, located in San Mateo County. The Easements are needed for construction of one of the 16 groundwater wells. The Easements will provide a temporary construction area for project staging at the well site, as well as several sub-surface utility connections to provide water, sewer, and power services to the well facility. 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 projects.² On August 12, 2014, SFPUC approved the proposed acquisition of the Easements.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a Purchase and Sale Agreement between the City and County of San Francisco, through the SFPUC, and the Costco Wholesale Corporation for the

¹ The Board of Supervisors, under files 10-0337, 11-1031, 13-0483, appropriated funds for the Project, and additional monies were funded from previous WSIP appropriations in Ordinances 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 \$21.42 to \$74.51 per square foot. Value of the subject property was determined to be \$60 per square foot at its highest and best use. However, the Easements are located in an area impacted by ingress and egress easements and a flood control easement, which limits its future use, thus reducing its value to an average price of \$2.69 per square foot.

acquisition of four easements located in San Mateo County and owned by Costco Wholesale Corporation in the amount of \$190,000. The four easements will be used for the San Francisco Public Utilities Commission's Regional Groundwater Storage and Recovery Project. The proposed resolution would also adopt findings that the purchase of the four easements is consistent with the City's General Plan and the eight priority policies of San Francisco Planning Code, Section 101.1.³

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 four easements is within the scope of (1) the Project analyzed in the Final Environmental Impact Report and the previously approved CEQA findings, and (2) the Planning Commission's findings that the Project is consistent with the City's General Plan and Planning Code.

FISCAL IMPACT

Purchase and Sale Agreement for Four Easements

Under the Purchase and Sale Agreement, the City would purchase four easements, including one temporary construction easement, one permanent electrical easement, one permanent groundwater well connection easement, and one permanent utility water connection easement, at an average per square foot cost of \$2.69 and a total cost of \$190,000 from Costco Wholesale Corporation for use by SFPUC for its Regional Groundwater Storage and Recovery Project, as summarized in Table 1 below.

Table 1: Purchase of Easements

Easement	Square Feet	Approximate Price per Square Foot	Amount
Temporary Construction Easement	62,881	\$2.02	\$126,825
Permanent Electrical Easement	4,817	\$8.19	\$39,455
Permanent Well Connection Easement	1,441	\$8.10	\$11,672
Permanent Utility Water Connection Easement	1,442	\$8.10	\$11,680
Total	70,581	\$2.69*	\$190,000⁴

*Average per square foot cost

³ The Eight Priorities of City Planning Code Section 101.1 include: (1) Existing neighborhood-serving retail uses 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) 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) landmarks and historic buildings be preserved; and (8) parks and open space and their access to sunlight and vistas be protected from development.

⁴ Total purchase price of all four easements is \$189,632, with the negotiated sale price rounded up to \$190,000.

As shown in Table 1 above, based on 70,581 square feet at an average cost of \$2.69 per square foot, as determined by a private appraisal firm, the cost for SFPUC to acquire the easements is \$190,000. Funding for the \$190,000 was previously appropriated by the Board of Supervisors under the Regional Groundwater Storage and Recovery Project as part of the SFPUC Water System Improvement Program.

The one temporary construction easement expires after 18 months, and the SFPUC has the option to extend the term for up to 12 additional months on a month-to-month basis, for a total term of up to 30 months. SFPUC would continue to pay the same rate for the temporary easement during the extension period.

RECOMMENDATION

Approve the proposed resolution.

Item 4 File 15-0756	Department: 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 fourth amendment to the agreement between the San Francisco Municipal Transportation Agency (SFMTA) and PRWT Services, Inc. (PRWT) for citation processing and support services. The amendment would extend the existing agreement by one year, from November 1, 2015 through October 31, 2016, with an option to extend the agreement for up to two additional years. • The requested amendment increases the not-to-exceed agreement amount by \$9,250,494, for a total requested not-to-exceed agreement amount of \$62,725,935. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Under the original five-year agreement that began in November 2008 and was extended for an additional two years in October 2013, PRWT provides parking citation processing, residential permit parking, cashiering, hearing, enforcement, and accounting support. • SFMTA plans to issue a Request for Proposal (RFP) by the end of November 2015 to solicit bids from contractors for a new agreement for parking citation processing and related services. The proposed extension will continue services through October 2016 when SFMTA plans to award a new contract. • The requested agreement amendment includes new services not currently within PRWT's scope of work, such as a residential parking permit website upgrade, and a new web portal for citation processing and remitting overpaid funds. These new services will improve efficiency, customer service, and allow for customer repayments. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The requested additional \$9,250,494 fourth amendment under the existing agreement between SFMTA and PRWT for citation processing, management software, and related support services was previously appropriated by the Board of Supervisors in SFMTA's operating budget for fiscal years 2015-16 and 2016-17. • In FY 2014-15, SFMTA issued 1,427,987 parking citations and received \$115,199,017 in parking citation revenues. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that agreements 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 agreements of more than \$500,000, require Board of Supervisors approval.

BACKGROUND

Based on a competitive process, on October 30, 2008, the Board of Supervisors approved a resolution (File 08-1168; Resolution 438-08) authorizing a five-year agreement, with an option to renew for up to an additional five years, between the City and County of San Francisco, on behalf of the San Francisco Municipal Transportation Agency (SFMTA), and PRWT Services, Inc. (PRWT) for an amount not to exceed \$53,475,441 to provide parking citation processing and management software and related support services.

The original five-year agreement term extended from November 1, 2008 through October 31, 2013, with options to extend up to five years through October 31, 2018, or a total of up to ten years.

Under this agreement, PRWT provides the following major required services:

- Parking citation processing charging a rate of \$2.89 per citation¹;
- Special citation follow-up collections for citations that remain unpaid after usual processing, paid at rate of 34 percent of revenues collected;
- Pay-By-Phone and Pay-By-Web support services, with all 800-number and credit card fees passed through to SFMTA;
- Issuance of transit violation notifications and pass through of postage; and
- Replacement and maintenance of handheld ticket-issuing devices.

In October 2013, the Board of Supervisors approved a third amendment to the agreement² (File 13-0941; Resolution 374-13) extending it for an additional two years, through October 31, 2015, and authorized SFMTA to re-allocate \$6,835,709 remaining from the original agreement for services previously designated as optional. The total not-to-exceed agreement amount of \$53,475,441 was not changed as part of this amendment, although the agreement was extended by two years from five years to seven years. Table 1 below shows the total

¹ Parking rate processing rate of \$2.89 per citation includes costs for PRWT to provide software and support for SFMTA's Residential Permit Parking Program, the Administrative Review and Hearings Units, and additional parking consulting and systems engineering support staff.

² The agreement was first amended in November 2011 to include a pilot program for street sweeper camera enforcement, and was amended a second time in February 2013 for the purchase of additional handheld devices. These amendments did not increase the contract amount or the term, and were not subject to approval by the Board of Supervisors.

expenditures of \$51,330,054 for the six years and eight months of services provided from November 1, 2008 through June 30, 2015 for the citations processing and management software and related support services contract with PRWT.

Table 1: Total Expenditures Paid by SFMTA to PRWT for Contract Services through FY 2014-15

Contract Services	Total
Citation Processing	\$30,130,759
Special Collections	17,478,663
Postage	11,786
Credit Card Fees	2,744,596
1-800 number	36,596
Mobile License Plate Reader Camera Support	90,782
Equipment/Accessories	622,357
Other	214,515
TOTAL	\$51,330,054

Source: SFMTA

As stated above, the PRWT agreement is authorized for a not-to-exceed amount of \$53,475,441 over a seven-year period. As noted in Table 1, as of June 30, 2015, SFMTA expended \$51,330,054 on the PRWT contract, resulting in a balance of \$2,145,387 remaining in the existing not-to-exceed agreement amount.

SFMTA projects that PRWT's cost of services, including a 5 percent contingency, for the remaining four-month contract period from July 1, 2015 through October 31, 2015 will be \$2,722,762, which is \$577,375 greater than the existing remaining \$2,145,387 not-to-exceed agreement amount. The existing not-to-exceed agreement amount was set for the original five-year agreement and, as mentioned above, was not increased when the original contract was extended for two additional years. According to Mr. Steven Lee, Senior Manager at SFMTA, SFMTA attempted to cover the costs of the two additional years of services in the original agreement amount, but the projection for future service needs was underestimated by \$577,375.

Upcoming Request for Proposals

In September 2014, the SFMTA hired Dixon Resources Unlimited, a consultant specializing in municipal parking, to identify new technological capabilities, produce an industry standards report, and develop detailed system specifications for a Request for Proposals (RFP) for upgraded parking citation processing and management software and related services. Additionally, SFMTA seeks a new software system that would provide greater flexibility to customize SFMTA reports and analyze data, and therefore would be less reliant on the contractor to provide such services. Findings from the consultant are expected to be released soon.

Mr. Lee states that the consultant findings will be considered in the RFP that SFMTA plans to release by the end of November 2015. SFMTA intends to select a contractor based on the results of the competitive RFP process, and to secure a new agreement with a contractor prior to the expiration of the proposed subject amended agreement with PRWT by October 31, 2016. SFMTA has decided not to exercise the remaining three years in the previously approved five-year option under the existing agreement with PRWT, but instead to only extend the agreement by one year and begin a new RFP process. Approval of a new agreement for citations processing and management software and support services for SFMTA will be subject to future Board of Supervisors approval.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the fourth amendment to the agreement between SFMTA and PRWT Services, Inc. for parking citation processing, management software, and related support services. The fourth amendment would extend the agreement by one year, from November 1, 2015 through October 31, 2016 with an option to extend the agreement for up to two additional years. Although the SFMTA intends to complete a new competitive proposal and award process by November 1, 2016, in the event, the RFP process extends longer than a year and/or the responses to the RFP are less favorable than the terms of the existing agreement, Mr. Lee advises that the SFMTA would still have the option to extend the existing agreement with PRWT by up to an additional two years. The amendment also increases the not-to-exceed agreement amount by \$9,250,494, from \$53,475,441 to a total requested not-to-exceed contract amount of \$62,725,935.

SFMTA is requesting approval of an additional not-to-exceed amount of \$9,250,494, which equals the estimated budget of up to \$11,395,881 for services provided from July 1, 2015 through October 31, 2016, less the balance of \$2,145,387 remaining as of June 30, 2015 from the original not-to-exceed agreement amount. As noted above, and shown in Table 2 below, the projected costs for the remaining four months from July 1 through October 31, 2015 is \$2,722,762, which exceeds the original agreement amount by \$577,375. Therefore, the requested agreement amendment would cover the \$577,375 budget overage because the original five-year not-to-exceed agreement did not fully cover the costs of the seven-year agreement.

As shown in Table 2 below, extending the PRWT existing agreement services for one year will cost an estimated \$7,872,919. In addition, new services provided during the one-year extension period would total up to \$387,194. The new services include: (a) \$252,194 for residential parking permit processing and website upgrade; (b) \$100,000 for web-based citation processing portal; and (c) \$35,000 for "escheatment," or remitting overpaid funds. With a 5 percent contingency on all of the services provided during the remaining four months of the contract

and the one-year extension period, the total requested budget through October 31, 2016 is \$11,395,881.

The requested budget totaling \$11,395,881 for new and existing services to be provided from July 1, 2015 through October 31, 2016 is shown in Table 2 below.

Table 2: Budget for PRWT Citation Processing Contract Extension

Contract Services	4-month Projected Period (Thru 10/31/15)	Extension Period (Thru 10/31/16)	Total
Existing Services			
Citation Processing	\$1,391,185	\$4,150,153	\$5,541,338
Special Collections	951,306	2,853,918	3,805,224
Credit Card Fees Online	240,000	720,000	960,000
1-800 number	2,576	7,728	10,304
Mobile License Plate Camera Support	8,040	24,120	32,160
Equipment/Accessories		50,000	50,000
Maintenance		67,000	67,000
<i>Existing Services Subtotal</i>	<i>\$2,593,107</i>	<i>\$7,872,919</i>	<i>\$10,466,026</i>
New Services			
Residential Parking Permit Processing & Website Upgrade		\$252,194	\$252,194
Web-Based Citation Processing Portal		100,000	100,000
Escheatment		35,000	35,000
<i>New Services Subtotal</i>		<i>\$387,194</i>	<i>\$387,194</i>
Total Services	\$2,593,107	\$8,260,113	\$10,853,220
5 Percent Contingency	\$129,655	\$413,006	\$542,661
Total Expected Cost	\$2,722,762	\$8,673,119	\$11,395,881

FISCAL IMPACT

SFMTA is requesting approval of an additional not-to-exceed amount of \$9,250,494, which equals the estimated budget of up to \$11,395,881 for services provided from July 1, 2015 through October 31, 2016, less the balance of \$2,145,387 remaining as of June 30, 2015 from the original not-to-exceed agreement amount.

The requested additional \$9,250,494 fourth amendment under the existing agreement between SFMTA and PRWT for citation processing, management software, and related support services was previously appropriated by the Board of Supervisors in SFMTA's operating budget for fiscal years 2015-16 and 2016-17.

In FY 2014-15, SFMTA issued 1,427,987 parking citations and received \$115,199,017 in parking citation revenues.

POLICY CONSIDERATIONS

The requested agreement amendment expands the current scope of services provided by PRWT to include an upgrade of the website for residential parking permit processing, a new web portal for citation processing, and escheatment.

PRWT submitted a one-year cost estimate of \$387,194 plus a 5 percent contingency for these new services to SFMTA, for a total additional cost of \$406,554. According to Mr. Lee, SFMTA is requesting to include these new services under the proposed one-year fourth amendment instead of waiting to include these services in the upcoming RFP because SFMTA wants these enhancements to: (a) improve the efficiency of issuing and renewing residential parking permits by automating a process that is currently done manually; (b) improve customer service by allowing the public to request permits, submit payments, and view the status of citations and related payments through a web-based portal, and (c) have the contractor assume the responsibility to identify customers that have overpaid SFMTA. Mr. Lee notes that none of these enhancements would be proprietary to PRWT and would be part of the SFMTA's website, and PRWT would likely be able to provide these additional services more efficiently because PRWT is highly experienced with SFMTA's existing system.

RECOMMENDATION

Approve the proposed resolution.