


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

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst 

SUBJECT: October 21, 2015 Budget and Finance Committee Meeting

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Item 2 File 15-0970	Department: Port
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • Ordinance appropriating \$25,692,151 to support 16 projects in the Port Commission’s Ten Year Capital Plan in FY 2015-16, consisting of \$20,819,204 from the Port’s fund balance, \$665,000 from the Cosco Busan settlement proceeds and \$4,207,947 from surplus capital project expenditures. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • On February 10, 2015, the Port Commission approved the Ten Year Capital Plan, which was subsequently approved by the Board of Supervisors on April 21, 2015, as part of the City’s Ten Year Capital Plan. The Port’s Capital Plan includes \$1.62 billion of capital projects to be completed over the next ten years. However, the Port projects an estimated \$609.4 million of various funding sources to pay for these capital projects, leaving an unfunded backlog of capital projects of approximately \$1.01 billion. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The major funding sources include (a) \$15,275,205 from Pacific Gas & Electric (PG&E) for prepaid rent to construct and operate a three-mile underwater cable for 40 years; (b) \$5,543,999 of Other Operating Surpluses from the closeout of the Port’s FY 2014-15 budget; (c) \$665,000 from Cosco Busan settlement proceeds; and (d) \$4,207,947 from capital project surpluses, which resulted from 15 individual Port capital projects being completed, with surplus fund balances remaining. • A description of each of the 16 proposed capital projects, provided by the Port, is contained in an Attachment to this report. • The Port’s Ten Year Capital Plan already assumed the PG&E funding source and the capital project surpluses for a total of \$19,483,152, such that the requested \$25,692,151 supplemental appropriation will only reduce the Port’s Capital Plan funding shortfall by \$6,208,999. This additional \$6,208,999 revenue source will not substantially change the Port’s projected \$1.01 billion unfunded backlog of capital projects. • The Port anticipates increasing cash flow from five of the proposed capital projects representing \$16,747,500 of the requested capital funding. The largest proposed capital project, the Southern Waterfront Backlands Project, at an estimated cost of \$8,500,000, is projected to generate an estimated \$8,554,204 of net new revenues for the Port over the next ten years. Over the next ten years, all five projects capital investments are estimated to generate \$16,768,940 in net new and preserved revenues that are anticipated to be used to further address and fund the Port’s capital project backlog. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinance. 	

MANDATE STATEMENT / BACKGROUND

Mandate Statement

City Charter Section 9.105 provides that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

Background

On February 10, 2015, the Port Commission approved the Port's Ten Year Capital Plan for FY 2016-2025 (Port Resolution No. 15-05), which was subsequently approved by the Board of Supervisors on April 21, 2015, as part of the City's Ten Year Capital Plan. The Port's Capital Plan includes \$1.62 billion of identified capital project need¹ to be completed over the next ten years, including

- (a) \$570.3 million of existing backlog of deferred maintenance;
- (b) \$612.9 million to maintain existing facilities in good repair; and
- (c) \$439.2 million for other one-time improvements.

The Port does not currently generate sufficient revenues to fund the capital needs of the Port. However, the Port's Ten Year Capital Plan projects an estimated \$609.4 million of various funding sources to pay for these capital projects, leaving an unfunded backlog of capital projects of approximately \$1.01 billion (\$1.62 billion less \$609.4 million). On March 13, 2012, the Port Commission adopted a capital policy to (a) appropriate a minimum of 20% of operating revenues for capital projects, increasing to 25% in FY 2017-18, and (b) appropriate one-time revenues and surplus net operating revenues for additional capital needs.

The Port has a Capital Project Technical Review Committee, comprised of ten staff with representation from each of the Port's operating divisions (i.e. Engineering, Maritime, Real Estate, Planning & Development, Maintenance, and Finance & Administration) that reviewed, scored and ranked each of various capital projects based on the Port's seven strategic goals and priorities.²

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$25,692,151 to pay for 16 projects in the Port Commission's Ten Year Capital Plan in FY 2015-16, consisting of \$20,819,204 from the Port's fund balance, \$665,000 from the Cosco Busan settlement proceeds and \$4,207,947 from surplus capital project expenditures.

¹ This \$1.62 billion does not include an additional estimated \$476.3 million for conditional seismic work which may or may not be required over the next ten years.

² The Port's strategic goals and priorities are: (1) addressing safety, health, code or regulatory issues or threats to the environment; (2) significantly reducing potential liability to the Port; (3) promoting commerce, navigation or fisheries; (3) attracting people to the waterfront; (5) promoting natural and cultural resources; (6) preserving existing Port revenues; and/or (7) generating and/or leveraging additional revenues for the Port.

FISCAL IMPACT

Table 1 below identifies each of the \$25,692,151 of funding sources in the proposed supplemental appropriation.

Table 1: Port Funding Sources for the Requested \$25,692,151 Supplemental Appropriation

FY 2014-15 Projected Fund Balance	
- PG&E One-Time Payment	\$15,275,205
- Other Operating Surplus	<u>5,543,999</u>
Total Fund Balance	\$20,819,204
Cosco Busan Settlement Proceeds	665,000
Capital Project Surplus	
- Port ADA Transition Plan	\$700,000
- Illinois Street Bridge	18,875
- Pier 45C Development Design	7,822
- Fisherman's Wharf Triangle Parking Lot	25,961
- Ferry Terminal Public Pier	22,198
- Brannan Street Wharf, Interest*	162,384
- Brannan Street Wharf, Port Funds*	78,153
- Brannan Street Wharf, Pier 36 Demolition*	47,837
- Brannan Street Wharf, Construction*	490,780
- Pier 35 Security and Life Safety Project	18,526
- Pier 33-35 Curb Cut Project	86,465
- Harbor Office and Police Department Marine Unit Headquarters	39,073
- Marine Unit Headquarters, Joint Operations & Security Center	21,658
- Pier 29 Annex Building Painting Project	3,100
- Pier 45 Fender & Camels Project	401,386
- Pier 70 Building No. 2 Repairs	300,000
- AC34 Improvements**	972,027
- AC34 Improvements – Environmental Plan**	109,869
- AC 34 Improvements – Architecture & Engineering Services**	350,000
- Emergency Removal of Drydock #1	<u>351,833</u>
Total Capital Project Surplus	\$4,207,947
Total Port Funding Sources Available	\$25,692,151

*Total of \$779,154 for the Brannan Street Wharf Project.

**Total of \$1,431,896 for the America's Cup 34 Project.

Description of Major Port Funding Sources

- \$15,275,205 from Pacific Gas & Electric (PG&E) received in two 2014 payments for prepaid rent to the Port for PG&E to construct and operate a three-mile underwater cable on Port property from the Embarcadero Station to Potrero Substation for 40 years, or through 2054.
- \$5,543,999 of Other Operating Surpluses from the closeout of the Port's FY 2014-15 budget, which resulted in higher revenues than originally budgeted, primarily due to additional

parking revenues, and greater expenditure savings, primarily from controlling non-personnel costs and delays in hiring positions.

- \$665,000 from Cosco Busan Settlement Proceeds, which resulted from a major oil spill in San Francisco Bay on November 7, 2007 from a container ship, Cosco Busan. Based on a 2011 settlement agreement, the City received a total of \$1,130,174, including \$465,174 for the Recreation and Park Department’s India Basin small boating complex project and \$665,000 for the Port’s Heron’s Head Park shoreline stabilization project.
- \$4,207,947 from Capital Project Surpluses, which resulted from 15 individual Port capital projects being completed, with surplus Port fund balances remaining in the project budget appropriations. A few of the more significant project surplus balances include the (1) Port ADA Transition Plan, adopted in 2004, which has been primarily completed, based on availability of alternative funding sources and that ADA compliance is now included in the scope of future projects, resulting in \$700,000 of available funds; (2) Brannan Street Wharf project, with total original budgeted Port funds of \$18.5 million, has now been completed, resulting in a total of \$779,154 of available Port funds; and (3) America’s Cup 34 (AC34), which primarily achieved savings from using Port maintenance staff for pier work, instead of contracting staff for improvements, has \$1,431,896 total available funds to re-appropriate.

Table 2 below identifies the 16 Port capital projects totaling the requested \$25,692,151.

Table 2: Proposed Capital Projects

- Southern Waterfront Backlands	\$8,500,000
- BAE Electrical Service Separation	3,000,000
- Pier 23 Roof Replacement	2,833,151
- Pile Removal/Bay Fill Removal	2,150,000
- Central Basin Dredging, Federal Match	2,000,000
- Quint Street Lead, Railroad & Railway Improvements	1,480,000
- Seawall Study/Seawall & Marginal Wharf Repair Project	1,000,000
- Northern Waterfront Historic Pier Structures Repair Project	1,000,000
- Pier 29 Substructure Improvements, Phase II	730,000
- Heron’s Head Park Stabilization and Wetlands Enhancement	665,000
- Northern Waterfront Pier, Beltline Building, Phase II	664,000
- Ferry Terminal Float Repairs	520,000
- Pier Structure Repairs- Ladders & Skylights	500,000
- Southern Waterfront, Pier 70 Sediment Cap	300,000
- Environmental Assessment & Remediation-Pier 39 Sediment	250,000
- Emergency Capital & Facility Maintenance Funding	100,000
Total	\$25,692,151

Description of 16 Port Capital Projects

A description of each of the 16 proposed capital projects, provided by the Port, is contained in an Attachment to this report.

The Port estimates that these projects can be completed in the next three years, contingent on available Federal funding for the Central Basin Dredging project and the determination of the scope of the project for the Heron’s Head Park Stabilization Project.

Fiscal Impact on Capital Plan

Ms. Meghan Wallace, Budget Manager at the Port advises that the Port’s Ten Year Capital Plan already assumed the \$15,275,205 PG&E funding source and the \$4,207,947 capital project surpluses funding source, or a total of \$19,483,152. As a result, the requested \$25,692,151 supplemental appropriation will only reduce the Port’s Capital Plan funding shortfall by \$6,208,999 (\$25,692,151 less \$19,483,152) from the FY 2014-15 other operating surplus and the Cosco Busan settlement proceeds. This additional \$6,208,999 revenue source will not substantially change the Port’s projected \$1.01 billion unfunded backlog of capital projects.

However, the Port anticipates receiving higher revenues by increasing the cash flow resulting from at least five of the proposed capital projects. Table 3 below identifies five of the proposed capital projects representing \$16,747,500 of the requested capital funding, which are projected to generate new or preserve existing revenues for the Port. For example, the largest proposed capital project, the Southern Waterfront Backlands Project, at an estimated cost of \$8,500,000, is projected to generate an estimated \$8,554,204 of net new revenues for the Port over the next ten years. As shown in Table 3 below, the estimated payback period for all five projects capital investments is six years, generating an estimated \$16,768,940 in net new and preserved revenues over the next ten years that are anticipated to be used to further address and fund the Port’s capital project backlog.

Table 3: Five Port Projects Projections of Costs and Revenue Generation

Project	Backlands Project	Central Basin Dredging [^]	Pier 23 Roof Replacement	Beltline Building, Phase II	Pier 29 Substructure Repairs	Total	Net Revenues
Year 0	(8,500,000)	(2,000,000)	(2,833,000)	(664,500)	(2,750,000)	(16,747,500)	
1	615,816	175,000	193,425	49,582	309,229	1,343,052	(15,404,448)
2	1,268,582	360,500	300,795	90,916	638,466	2,659,258	(12,745,190)
3	1,979,756	556,973	402,362	93,643	657,619	3,690,354	(9,054,836)
4	2,039,149	764,909	414,433	96,452	677,348	3,992,291	(5,062,545)
5	2,100,323	787,856	426,866	99,346	697,668	4,112,059	(950,485)
6	2,163,333	811,492	439,672	102,326	718,599	4,235,422	3,284,937
7	2,228,233	835,837	452,862	105,396	740,157	4,362,485	7,647,421
8	2,295,080	860,912	466,448	108,558	762,361	4,493,359	12,140,780
9	2,363,932	886,739	480,442	111,815	785,232	4,628,160	16,768,940
10 Yr. Net	8,554,204	4,040,218	744,305	193,534	3,236,679	16,768,940	

[^] represents preservation of revenues that would otherwise be lost
 * capital project costs are shown in year 0

RECOMMENDATION

Approve the proposed ordinance.

Item 3 File 15-0971	Department: Mayor's Office of Housing and Community Development (MOHCD)
EXECUTIVE SUMMARY	
Legislative Objectives	
<ul style="list-style-type: none"> • Ordinance de-appropriating and appropriating \$3,461,129 of City and County of San Francisco Taxable General Obligation Bonds, Series 2014, for the Seismic Safety Loan Program in the Mayor's Office of Housing and Community Development in FY 2015-16. 	
Key Points	
<ul style="list-style-type: none"> • The Seismic Safety Loan Program was approved by City voters in 1992, authorizing the issuance of up to \$350 million of General Obligation Bonds to provide loans for the seismic strengthening of unreinforced masonry buildings. • On May 23, 2014, the Seismic Safety Loan Committee approved a loan for \$20,100,871 for the 20th Street Historic Buildings Project on Pier 70, for unreinforced masonry buildings in need of seismic strengthening. • In July, 2014, the Board of Supervisors authorized the sale and appropriation of \$24,000,000 of general obligation bonds for the Seismic Safety Loan Program. This appropriated \$20,100,871 for the Project loans and a total of \$3,899,129 for related reserve, issuance and underwriter's discount costs. 	
Fiscal Impact	
<ul style="list-style-type: none"> • On August 31, 2015, the City sold \$24,000,000 of Seismic Safety Bonds, incurring \$438,000 of total costs for the reserve, issuance and underwriter's discount, instead of the total of \$3,899,129 appropriated for these purposes, resulting in a savings of \$3,461,129 of additional bond proceeds. • The proposed supplemental appropriation ordinance would de-appropriate \$3,461,129 from the previously authorized use for bond reserve, cost of issuance and underwriter's discount, and instead appropriate the available \$3,461,129 for additional loan funds for the 20th Street Historic Buildings Project on Pier 70. • On May 4, 2015, the Seismic Safety Loan Committee approved a revised market rate interest loan amount of \$24,000,000 for the 20th Street Historic Buildings Project on Pier 70. If the proposed supplemental appropriation is approved, this Project would receive a total of \$23,562,000 (\$20,100,871 initial available loans plus \$3,461,129 from this appropriation) of Seismic Safety loans. 	
Recommendation	
<ul style="list-style-type: none"> • Approve the proposed ordinance. 	

MANDATE STATEMENT / BACKGROUND

Mandate Statement

City Charter Section 9.105 provides that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

Background

The Seismic Safety Loan Program was approved by City voters in 1992, authorizing the issuance of up to \$350 million of General Obligation Bonds to provide loans for the seismic strengthening of unreinforced masonry buildings. The Mayor's Office of Housing and Community Development (MOHCD) administers the Seismic Safety Loan Program, providing cash proceeds from the bond sales to make loans to property owners to complete necessary seismic repairs. Repayments from the seismic loans are then used to pay the debt service on the bonds. Property taxes assessed on all property owners in the City pay any difference between the cost of the debt service and repayments by loan recipients.

On May 23, 2014, the Seismic Safety Loan Committee approved a market rate interest loan for \$20,100,871 for the 20th Street Historic Buildings Project on Pier 70. This loan is for the seismic strengthening of a portion of this project related to unreinforced masonry buildings. In July, 2014, the Board of Supervisors authorized the sale of \$24,000,000 aggregate principal taxable General Obligation bonds for the Seismic Safety Loan Program (Series 2014C) and the related appropriation of the \$24,000,000 bond proceeds (Files 14-0727 and 14-0728; Resolution 284-24 and Ordinance 180-14). The sources and uses of the \$24,000,000 supplemental appropriation approved are detailed in Table 1 below, including a total of \$3,899,129 appropriated for related reserve, issuance and underwriter's discount costs.

Table 1: Sources and Uses of Proposed General Obligation Bonds, Series 2014

Sources	
Bond Proceeds	\$24,000,000
Uses	
Funds Available for Pier 70 Loans	\$20,100,871
Reserve Pending Bond Sale ¹	3,227,653*
Cost of Issuance ²	502,838*
Underwriter's Discount ³	168,638*
Total	\$24,000,000

Source: Controller's Office of Public Finance

*Total of \$3,899,129.

¹The reserve pending bond sale accounts for fluctuations in interest rates.

²The costs of issuance include bond counsel, financial advisors, bond trustees, rating agencies, and other fees and miscellaneous expenses for issuing bonds.

³The underwriter's discount is the difference between the price an underwriter pays an issuer and the price at which it sells the offering to the public.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would de-appropriate and appropriate \$3,461,129 of City and County of San Francisco Taxable General Obligation Bonds, Series 2014, for the Seismic Safety Loan Program in the Mayor's Office of Housing and Community Development in FY 2015-16.

FISCAL IMPACT

On August 31, 2015, the City, through the Controller's Office of Public Finance, sold \$24,000,000 of Seismic Safety Bonds (Series 2014C). These bonds were purchased by US Bank National Association, a private placement selected through a competitive bid process. As shown in Table 2 below, the actual \$24,000,000 bond sale incurred \$438,000 of total costs for the reserve, issuance and underwriter's discount, instead of the total of \$3,899,129 (see Table 1 above) appropriated for these purposes, resulting in a savings of \$3,461,129 of additional bond proceeds.

Table 2: Sources and Uses of Actual General Obligation Bonds, Series 2014

Sources	
Bond Proceeds	\$24,000,000
Uses	
Initial Funds Available for Pier 70 Loans	\$20,100,871
Total Reserve, Issuance and Underwriter's Discount	438,000
Subtotal	\$20,538,871
Additional Bond Proceeds Available	3,461,129
Total Uses	\$24,000,000

The proposed supplemental appropriation ordinance would de-appropriate \$3,461,129 from the previously authorized use for bond reserve, cost of issuance and underwriter's discount, and instead appropriate the available \$3,461,129 for additional loan funds for the 20th Street Historic Buildings Project on Pier 70.

On May 4, 2015, the Seismic Safety Loan Committee approved a revised market rate interest loan amount of \$24,000,000 for the 20th Street Historic Buildings Project on Pier 70. If the proposed supplemental appropriation is approved, this Project would receive a total of \$23,562,000 (\$20,100,871 Table 1 above initial available loans plus \$3,461,129 from this appropriation) of Seismic Safety loans.

RECOMMENDATION

Approve the proposed ordinance.

Items 4 and 5 Files 15-1008 and 15-1009	Department: Recreation and Park Department, Port, and Controller's Office of Public Finance
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • <u>File 15-1008</u>: Resolution providing for the sale of not-to-exceed \$8,695,000 of Clean and Safe Neighborhood Parks General Obligation Bonds, 2012 Series 2015C. • <u>File 15-1009</u>: Resolution providing for the sale of not-to-exceed \$43,765,000 of Clean and Safe Neighborhood Parks General Obligation Bonds, 2012 Series 2015D. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • On February 5, 2008, San Francisco voters approved \$185,000,000 of Clean and Safe Neighborhood Parks General Obligation Bonds (Proposition A), which is intended for capital improvements for various neighborhood parks, City-wide parks, and Citywide programs under the Recreation and Park Department and waterfront parks under the Port. The proposed resolution is the fourth and final sale of authorization. • On November 6, 2012, San Francisco voters approved \$195,000,000 of Clean and Safe Neighborhood Parks General Obligation Bonds (Proposition B), which is intended for capital improvements for various neighborhood parks, City-wide parks, and Citywide programs under the Recreation and Park Department and waterfront parks under the Port. Of the total authorization, \$71,387,500 has been sold to date, leaving \$123,612,500 remaining from the 2012 Proposition B funds. The proposed resolution includes the sale of an additional \$43,765,000. The remaining \$79,847,500 authorization under the 2012 Proposition B bonds will be sold subject to review by the Capital Planning Committee, and approval by the Board of Supervisors. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed resolutions authorizing the combined sale of not-to-exceed \$52,460,000 in Clean and Safe Neighborhood Park Bonds will have a conservatively projected annual interest rate of 5.2 percent over 20 years, the par amount of \$52,025,000 Clean and Safe Neighborhood Parks General Obligation bonds will result in estimated total debt service payments of \$82,286,000, including \$30,261,000 in interest and \$52,025,000 in principal, with estimated average annual debt service payments of approximately \$4,114,000 over the 20-year term of the bonds. • Debt service will be paid from Property Taxes, which would average \$2.17 per \$100,000 of assessed valuation over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of \$700,000 would pay estimated average annual additional Property Taxes to the City of \$15.04. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolutions. 	

MANDATE STATEMENT

Charter Section 9.105 provides that the issuance and sale of General Obligation bonds are subject to approval of the Board of Supervisors. Charter Section 9.105 also provides that amendments to the appropriation ordinance, as finally adopted, are to be adopted in the same manner as other ordinances, subject to the Controller certifying the availability of funds.

Administrative Code Section 2.71 requires City departments to submit Bond Accountability Reports to the Clerk of the Board, Controller, Treasurer, Director of Public Finance and the Budget and Legislative Analyst 60 days prior to appropriation of bond funds.

BACKGROUND**File 15-1008**

On February 5, 2008, San Francisco voters approved \$185,000,000 of Clean and Safe Neighborhood Parks General Obligation Bonds (Proposition A), which are intended to:

1. Fix and improve park restrooms citywide;
2. Eliminate serious earthquake safety risks in neighborhood and waterfront park facilities;
3. Develop new waterfront parks;
4. Renovate parks and playgrounds in poor physical condition;
5. Replace dilapidated playfields;
6. Repair nature trail systems in the city's parks; and
7. Attract matching community and philanthropic support.

This is the fourth and final sale of these bonds. Of the total \$185,000,000 bond authorization, \$176,305,000 of general Obligation Bonds have been sold to date for park improvement projects, leaving \$8,695,000 remaining from the 2008 Proposition A authorization.

File 15-1009

On November 6, 2012, San Francisco voters approved \$195,000,000 of Clean and Safe Neighborhood Parks General Obligation Bonds (Proposition B), which are intended to:

1. Improve the safety and quality of neighborhood parks across the City and waterfront open spaces;
2. Enhance water quality and clean up environmental contamination along the Bay;
3. Replace unsafe playgrounds;
4. Fix restrooms;
5. Improve access for the disabled; and
6. Ensure the seismic safety of park and recreation facilities.

Of the total \$195,000,000 bond authorization, \$71,387,500 has been sold to date, leaving \$123,612,500 remaining from the 2012 Proposition B funds.

DETAILS OF PROPOSED LEGISLATION

File 15-1008: The proposed resolution authorizes the sale of not-to-exceed \$8,695,000 of City and County of San Francisco General Obligation Bonds (Clean and Safe Neighborhood Parks, 2008), Series 2015C (the "2015C Bonds"). The 2015C Bonds will be the fourth and final series of bonds to be sold under the 2008 Proposition A. Proceeds from the 2015C Bonds will partially finance neighborhood parks, citywide programs, citywide parks, and waterfront parks.

File 15-1009: The proposed resolution authorizes the sale of not-to-exceed \$43,765,000 of City and County of San Francisco General Obligation Bonds (Clean and Safe Neighborhood Parks 2012), Series 2015D. The 2015D Bonds will be the second series of bonds to be sold under the 2012 Proposition B. Proceeds from the 2015D Bonds will partially finance neighborhood parks, citywide programs, citywide parks, and waterfront parks.

The remaining \$79,847,500 authorization under the 2012 Proposition B bonds will be sold subject to review by the Capital Planning Committee, and approval by the Board of Supervisors.

FISCAL IMPACT

The proposed resolution authorizes the sale of not-to-exceed combined par amount of \$52,460,000 for Series 2015C (\$8,695,000) and Series 2015D (\$43,765,000). As shown in Table 1 below, \$50,851,897 of bond proceeds will go to project uses, \$101,704 to the Controller's Audit Fund, \$1,071,399 to the cost of issuance, and \$435,000 to a reserve that allows for fluctuations in market. File 15-1002 of this report includes a description and the estimated costs of the bond-funded projects.

Table 1: Sources and Uses for the Bonds

	CSNPD Series 2015C	CSNPD Series 2015D	Total
<u>Sources</u>			
Par Amount	\$8,695,000	\$43,330,000	\$52,025,000
Reserve Proceeds		\$435,000	\$435,000
Total Not-To-Exceed Amount	\$8,695,000	\$43,765,000	\$52,460,000
<u>Project Uses</u>			
Project Funds	\$8,499,467	\$42,352,430	\$50,851,897
Controller's Audit Fund	\$16,999	\$84,705	\$101,704
Project Uses Subtotal	\$8,516,466	\$42,437,135	\$50,953,601
<u>Other Costs of Issuance</u>			
Cost of Issuance	\$100,279	\$502,895	\$603,174
Underwriters' Discount	\$69,560	\$346,640	\$416,200
Citizens' General Obligation Bond Oversight Committee	\$8,695	\$43,330	\$52,025
Other Cost of Issuance Subtotal	\$178,534	\$892,865	\$1,071,399
Total Uses	\$8,695,000	\$43,330,000	\$52,025,000
Reserve Pending Bond Sale		\$435,000	\$435,000
Total Uses With Reserves		\$43,765,000	\$52,460,000

Estimated Debt Service Payments

Ms. Sesay advises that based on a conservative annual interest rate of 5.2 percent over 20 years, the par amount of \$52,025,000 Clean and Safe Neighborhood Parks General Obligation Bonds will result in estimated total debt service payments of \$82,286,000, including \$30,261,000 in interest and \$52,025,000 in principal, with estimated average annual debt service payments of \$4,114,000 over the 20-year term of the bonds.

Repayment of such annual debt service will be recovered through increases to the annual Property Tax rate. The owner of a residence with an assessed value of \$700,000, assuming a homeowner's exemption of \$7,000, would pay estimated average annual additional Property Taxes to the City of \$15.04 if the anticipated par value amount of \$52,460,000 Clean and Safe Neighborhood Parks General Obligation Bonds are sold.

According to the City's financial policies, new general obligation bond debt will not increase voters' long-term property tax rates above 2006 levels. Therefore, the increase in the property tax rate from the proposed sale of the Clean and Safe Neighborhood Parks General Obligation Bonds will be offset by outstanding debt that is retired or by the growth in the property tax base.

Debt Limit

The City Charter imposes a limit on the amount of General Obligation Bonds the City can have outstanding at any given time. That limit is 3.00% of the assessed value of property in the City. Ms. Sesay calculates that if the Board of Supervisors approves the issuance of the Bonds, the debt ratio would increase by 0.03% to 1.04% - within the 3.00% legal debt limit.

RECOMMENDATION

Approve the proposed resolutions.

Item 6 File 15-1002	Department: Recreation and Parks Department (RPD)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <p>The proposed ordinance would (1) appropriate \$8,695,000 of proceeds from the 2008 Clean and Safe Neighborhood Parks Bond to the Port for FY 2015-16; (2) appropriate \$30,565,000 to Recreation and Parks Department (RPD) and \$13,200,000 to the Port for a total of \$43,765,000 for FY 2015-16 from the 2012 Clean and Safe Neighborhood Parks Bond; and (3) de-appropriate and re-appropriate \$1,400,000 in 2012 Clean and Safe Neighborhood Parks Bond in Port projects for FY 2015-16. All funding would be used for the renovation, repair, or construction of parks and open spaces throughout the City.</p> <p>Key Points</p> <ul style="list-style-type: none"> • San Francisco voters approved \$185 million of Clean and Safe Neighborhood Parks General Obligation Bonds (Proposition A) in February 2008, and \$195 million in November 2012 (Proposition B), which are intended for capital improvements for various neighborhood parks, City-wide parks, and Citywide programs under the Recreation and Park Department and waterfront parks under the Port. • The fourth and final Bond sale for the 2008 Bonds is expected to occur upon approval of File 15-1008. The second Bond sale for the 2012 Bonds is expected to occur in October 2015, upon approval of File 15-1009. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed ordinance would: (1) appropriate \$8,695,000 to one Port project from the sale of 2008 Clean and Safe Neighborhood Bonds, (2) appropriate \$43,765,000 to ten RPD and two Port projects, from the sale of 2012 Clean and Safe Neighborhood Bonds, and (3) de-appropriate \$1,400,000 from two Port projects and re-appropriate \$1,400,000 to one Port project. <p>Recommendation</p> <p>Approve the proposed ordinance.</p>	

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

City Charter Section 9.105 states that amendments to the Annual Appropriation Ordinance are subject to Board of Supervisors approval by ordinance after the Controller certifies the availability of funds.

Background**2008 Clean and Safe Neighborhood Bonds**

San Francisco voters approved \$185 million of Clean and Safe Neighborhood Parks General Obligation Bonds (Proposition A) in February 2008, which are intended for capital improvements for various neighborhood parks, City-wide parks, and Citywide programs under the Recreation and Park Department and waterfront parks under the Port.

The fourth and final Bond sale is expected to occur upon approval of File 15-1008. Table 1 below shows the details for the 2008 Bond sale schedule

Table 1: 2008 Clean and Safe Neighborhood Parks Bond Sales

Bond	Date	RPD	Port	Other*	Total
1st Sale	August 2008	\$38,457,502	\$3,644,438	\$418,060	\$42,520,000
2nd Sale	March 2010	\$49,415,317	\$10,616,312	\$398,371	\$60,430,000
3rd Sale	February 2012	\$62,299,884	\$10,394,975	\$660,141	\$73,355,000
4th Sale	Expected Dec. 2015**	\$0	\$8,499,467	\$195,533	\$8,695,000
Total		\$150,172,703	\$33,155,192	\$1,672,105	\$185,000,000

*Other includes: Controller's Audit Fund, Cost of Issuance, Underwriter's Discount, Citizens' General Bond Obligation Oversight Committee, and Reserve

** Upon approval of File 15-1008

2012 Clean and Safe Neighborhood Bonds

San Francisco voters approved \$195 million of Clean and Safe Neighborhood Parks General Obligation Bonds (Proposition B) on November 6, 2012, which are intended for capital improvements for various neighborhood parks, City-wide parks, and City-wide programs under the Recreation and Parks Department (RPD) and waterfront parks under the Port.

The second Bond sale is expected to occur in October 2015, upon approval of File 15-1009. The third and final Bond sale is expected to take place in October 2016. Table 2 below shows the details for the 2012 Bond sale schedule.

Table 2: 2012 Clean and Safe Neighborhood Parks Bond Sales

Bond	Date	RPD	Port	Other*	Total
1st Sale	June 2013	\$53,187,500	\$18,200,000	\$500,000	\$71,887,500
2nd Sale	Expected Dec. 2015**	\$29,152,430	\$13,200,000	\$1,412,570	\$43,765,000
3rd Sale	Expected Oct. 2016	\$76,160,070	\$3,100,000	\$87,430	\$79,347,500
Total		\$158,500,000	\$34,500,000	\$2,000,000	\$195,000,000

*Other includes: Controller's Audit Fund, Cost of Issuance, Underwriter's Discount, Citizens' General Bond Obligation Oversight Committee, and Reserve

** Upon approval of File 15-1009

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would (1) appropriate \$8,695,000 of proceeds from the 2008 Clean and Safe Neighborhood Parks Bond to the Port for FY 2015-16; (2) appropriate \$30,565,000 to RPD and \$13,200,000 to the Port for a total of \$43,765,000 for FY 2015-16 from the 2012 Clean and Safe Neighborhood Parks Bond; and (3) de-appropriate and re-appropriate \$1,400,000 in 2012 Clean and Safe Neighborhood Parks Bond in Port projects for FY 2015-16. All funding would be used for the renovation, repair, or construction of parks and open spaces throughout the City.

A detailed description and the estimated costs of each of the Bond funded projects are shown in the Attachment to this report.

FISCAL IMPACT

Table 3 below shows the proposed appropriation of \$8,695,000 for the Port's Crane Cove Park 2008 Clean and Safe Neighborhood Bond project.

Table 3: 2008 Clean and Safe Neighborhood Bond Funds

Port of San Francisco	
Project Name	Amount
Crane Cove Park	\$8,499,467
Bond Administration	\$195,533
Total	\$8,695,000

Table 4 below shows the proposed appropriation of \$43,765,000 of both RPD and the Port's 2012 Clean and Safe Neighborhood Bond projects.

Table 4: 2012 Clean and Safe Neighborhood Bond Funds

Recreation and Parks Department	
Project Name	Amount
Angelo J. Rossi Playground	\$2,050,000
Balboa Park	\$4,891,000
Garfield Square	\$1,375,000
George Christopher Playground	\$490,000
Hyde & Turk Mini Park	\$150,000
Margaret S. Hayward Playground	\$3,000,000
Moscone Recreation Center	\$112,500
Potrero Hill Recreation Center	\$800,000
Willie "Woo Woo" Wong Playground	\$1,200,000
Program Contingency	\$2,533,930
Citywide Parks Program	\$12,550,000
Subtotal, Projects	\$29,152,430
Bond Administration	\$1,412,570
RPD Subtotal	\$30,565,000
Port of San Francisco	
Crane Cove Park	\$12,900,000
Aqua Vista Park	\$300,000
Port Subtotal	\$13,200,000
2012 Bond RPD & Port Projects Total	\$43,765,000

Table 5 below shows the proposed de-appropriation and re-appropriation of \$1,400,000 for the Port's 2012 Clean and Safe Neighborhood Bond projects.

Table 5: De-appropriation and Re-appropriation of Port 2012 Clean and Safe Neighborhood Bond Funds

De-appropriation	
Pier 70 Parks	(\$600,000)
Northeast Wharf Plaza & Pier 27/29	(\$800,000)
Subtotal	(\$1,400,000)
Re-appropriation	
Crane Cove Park	\$1,400,000
Subtotal	\$1,400,000

The Port reviewed the park improvements necessary for Pier 70 and the surrounding area through a community planning process and determined that Crane Cove Park is the highest priority for public funding at this time. As a result, the Port proposes shifting \$600,000 in funding from the Pier 70 Parks to Crane Cove Park. The Northeast Wharf Plaza & Pier 27/29 project is complete, and has a surplus of \$800,000.

Re-appropriation of \$1,400,000 for Crane Cove Park will allow for increased funding to open up the northern shoreline and provide more rehabilitation at Historic Slipway 4. CEQA (California Environmental Quality Act) findings for this project have been adopted, and detailed project design process is beginning.

RECOMMENDATION

Approve the proposed ordinance.

Detailed Status of Individual Projects

Recreation & Parks Department - 2012 Clean & Safe Neighborhood Bond Funds

Notes:

All actuals as of 9/30/15

"Expected Completion" reflects date the park site is open to the public. Completion (meaning the project has been closed in the City's financial system, FAMIS) is typically 6-8 months after.

"First Sale/Current Appropriation" reflects the current appropriation amount, which may be higher than the original allocation of bond proceeds due to re-appropriation of funds to the project, allocation of contingency funds to the project, or additional revenue sources.

Angelo J. Rossi Playground - Pool	Amount
Project Description	Renovation of pool, pool building and systems, interior compliance with ADA, and site improvements to related amenities
Total Project Budget	\$8,200,000
First Bond Sale/Current Appropriation	\$0
Expenditures + Encumbered to Date	\$0
Total Remaining in Project Budget	\$0
Second Issuance/Proposed Supplemental Appropriation	\$2,050,000
Revised Appropriation after Supplemental Appropriation	\$2,050,000
Project Status	Current: Initiation Expected Completion: January 2019
Explanation	With funds from the second issuance, this project will enter the planning phase and have sufficient funds to complete design. The remaining \$6,150,000 to fund construction will be included in the third bond issuance.

Balboa Park - Pool	Amount
Project Description	Renovation of pool, pool building and systems, pedestrian access, potential addition of a multipurpose space, and site improvements to related amenities
Total Project Budget	\$7,950,000
First Bond Sale/Current Appropriation	\$2,719,425
Expenditures + Encumbered to Date	\$1,180,217
Total Remaining in Project Budget	\$1,539,208
Second Issuance/Proposed Supplemental Appropriation	\$4,891,000
Revised Appropriation after Supplemental Appropriation	\$7,610,425
Project Status	Current: Design Expected Completion: May 2017
Explanation	First issuance allocated \$2,109,000 to Balboa. Additionally, the project received grant funds in the amount of \$610,425, which have been booked in FAMIS. The current appropriation is \$2,719,425.
Garfield Square - Pool	Amount
Project Description	Renovation of pool, pool building and systems, accessibility improvements, and site improvements to related amenities
Total Project Budget	\$11,000,000
First Bond Sale/Current Appropriation	\$1,604,000
Expenditures + Encumbered to Date	\$1,458,015
Total Remaining in Project Budget	\$145,985
Second Issuance/Proposed Supplemental Appropriation	\$1,375,000
Revised Appropriation after Supplemental Appropriation	\$2,979,000
Project Status	Current: Planning Expected Completion: July 2018
Explanation	With funds from the second issuance, this project will have sufficient funds to complete design. The remaining \$8,021,000 to fund construction will be included in the third bond issuance.

George Christopher Playground	Amount
Project Description	Improvements to children's play area, renovate exterior clubhouse restrooms, enhance park access and related amenities
Total Project Budget	\$2,800,000
First Bond Sale/Current Appropriation	\$300,000
Expenditures + Encumbered to Date	\$33,623
Total Remaining in Project Budget	\$266,377
Second Issuance/Proposed Supplemental Appropriation	\$490,000
Revised Appropriation after Supplemental Appropriation	\$790,000
Project Status	Current: Planning Expected Completion: April 2018
Explanation	With the second issuance, this project will have sufficient funds to complete planning and design phases. The remaining \$2,000,000 to fund construction will be included in the third bond issuance.

Hyde & Turk Mini Park	Amount
Project Description	Renovation of children's play area, site accessibility, and related amenities
Total Project Budget	\$1,000,000
First Bond Sale/Current Appropriation	\$0
Expenditures + Encumbered to Date	\$150,000
Total Remaining in Project Budget	\$0
Second Issuance/Proposed Supplemental Appropriation	\$150,000
Revised Appropriation after Supplemental Appropriation	\$150,000
Project Status	Current: Initiation Expected Completion: December 2018
Explanation	With funds from the second issuance, this project will enter the planning phase and have sufficient funds to complete design. The remaining \$850,000 to fund construction will be included in the third bond issuance.

Margaret S. Hayward Playground	Amount
Project Description	Consolidation and improvement of park structures, including recreational buildings, storage, children's play area, sports courts, playfields, and enhanced access
Total Project Budget	\$16,884,000
First Bond Sale/Current Appropriation	\$850,000
Expenditures + Encumbered to Date	\$216,463
Total Remaining in Project Budget	\$633,537
Second Issuance/Proposed Supplemental Appropriation	\$3,000,000
Revised Appropriation after Supplemental Appropriation	\$3,850,000
Project Status	Current: Planning Expected Completion: February 2019
Explanation	The total project budget is \$16,884,000, which includes \$14,000,000 in bond funds and \$2,884,000 in Interagency Plan Implementation Committee (IPIC) development impact fees. Funds from the second issuance will be sufficient to take the project to bid/award. Remaining bond funds of \$10,150,000 for construction will be included in the third bond issuance.
Moscone Recreation Center	Amount
Project Description	Improvements to the eastern children's play area, access, and related amenities
Total Project Budget	\$1,500,000
First Bond Sale/Current Appropriation	\$300,000
Expenditures + Encumbered to Date	\$41,020
Total Remaining in Project Budget	\$258,980
Second Issuance/Proposed Supplemental Appropriation	\$112,500
Revised Appropriation after Supplemental Appropriation	\$412,500
Project Status	Current: Planning Expected Completion: June 2017
Explanation	With the additional funds from the second issuance, the project will be able to complete design. The remaining \$1,087,500 to fund construction will be included in the third bond issuance.

Potrero Hill Recreation Center	Amount
Project Description	Renovation of playfields, tennis courts, dog play area, and children's play area
Total Project Budget	\$4,000,000
First Bond Sale/Current Appropriation	\$300,000
Expenditures + Encumbered to Date	\$43,324
Total Remaining in Project Budget	\$256,676
Second Issuance/Proposed Supplemental Appropriation	\$800,000
Revised Appropriation after Supplemental Appropriation	\$1,100,000
Project Status	Current: Initiation Expected Completion: December 2018
Explanation	With funds from the second issuance, this project will enter the planning phase and have sufficient funds to complete design. The remaining \$2,900,000 to fund construction is included in the third bond issuance.
Willie "Woo Woo" Wong Playground	Amount
Project Description	Renovation of children's play area, sports courts, recreational buildings, and significant reorganization of access and park features
Total Project Budget	\$6,000,000
First Bond Sale/Current Appropriation	\$950,000
Expenditures + Encumbered to Date	\$820,454
Total Remaining in Project Budget	\$129,546
Second Issuance/Proposed Supplemental Appropriation	\$1,200,000
Revised Appropriation after Supplemental Appropriation	\$2,150,000
Project Status	Current: concurrent Planning & Design Expected Completion: December 2018
Explanation	This site is highly complex and the project is in concurrent planning and design. The second issuance will provide sufficient funds to complete this phase. The remaining \$3,850,000 to fund construction will be included in the third bond issuance.

Citywide Parks & Programs	Amount
Project Description	The proposed Supplemental Appropriation allocates \$12,550,000 to Citywide Parks and Programs. Funds from the second bond issuance allocated to Citywide Parks and Programs will be appropriated at the master level, called Citywide Parks and Programs, thereby allowing re-allocation across sub-projects. This accounting reorganization provides cash flow flexibility in order to more efficiently perform the rolling cycles of smaller projects. With cash available for any project ready to go, improved spending rates and schedule management will be possible.
Total Project Budget	\$61,500,000
First Bond Sale/Current Appropriation	\$7,808,430
Expenditures + Encumbered to Date	\$1,151,225
Total Remaining in Project Budget	\$6,657,205
Second Issuance/Proposed Supplemental Appropriation	\$12,550,000
Revised Appropriation after Supplemental Appropriation	\$20,358,430
Project Status	See Project Description above

Contingency	Amount
Project Description	The purpose of Contingency is to provide a ready source to cover additional expenses associated with unforeseen site conditions, construction costs above budget, or other unexpected expenses
Supplemental Appropriation in FY15	\$3,466,070
Reduction in Re-appropriation Supplemental	(\$257,500)
Allocation to Glen Park	(\$1,900,000)
Allocation to Joe DiMaggio	(\$1,300,000)
Allocation to Willie "Woo Woo" Wong	(\$245,200)
Remaining Balance	(\$236,630)
Second Issuance/Proposed Supplemental Appropriation	\$2,533,930
Revised Appropriation after Supplemental Appropriation	\$2,297,300 (appropriation net of \$236,630 negative balance)

Port of San Francisco – 2008 & 2012 Clean & Safe Neighborhood Bond Funds

De-appropriations

Northeast Wharf Plaza (known as Ferry Plaza Park)	Amount: \$800,000
Project Description	Construction of a 2.5 acre public park located at Pier 27.
Total Project Budget	\$17,000,000
First Bond Sale/Current Appropriation	\$17,000,000
Expenditures + Encumbered to Date	\$15,727,672
Total Remaining in Project Budget	\$1,272,328
De-appropriation	(\$800,000)
Revised Current Appropriation after De-appropriation	\$16,200,000
Project Status	Completed: Park opened 10/30/15
Explanation	The project has been completed, and the amount to be de-appropriated represents surplus project funds.

Pier 70 Parks	Amount \$600,000
Project Description	Project provides funding for one of several planned open spaces identified within the Pier 70m project area, such as Slipways Park, Entry Plaza, Machine Shop Courtyard and Central Plaza.
Total Project Budget	\$2,000,000
First Bond Sale/Current Appropriation	\$600,000
Expenditures + Encumbered to Date	\$0
Total Remaining in Project Budget	\$600,000
De-appropriation	(\$600,000)
Revised Current Appropriation after De-appropriation	\$0
Project Status	Current: Project abandoned Expected Completion Date: n/a
Explanation	The Machine Shop Courtyard open space is being funded by the Orton Development project. The funding represented by the Pier 70 Parks project is being reallocated to the Crane Cove Park, a park which is also located within the Pier 70 project area. The funding is required in order to deliver an "appropriate" initial phase for the new Crane Cove park, and was vetted through an <i>extensive</i> community planning process.

Re-appropriation	
Crane Cove Park	Amount \$1,400,000
Project Description	Construction of an, up to 10 acre, public park located within the Port's Pier 70 project area. The park features the historic Pier 70 shipyard and a public beach.
Total Project Budget (for Phase 1)	For the 2012 G.O. Park bonds: Re-appropriation = \$1.4 million Second sale of bonds= \$12.9 million Subtotal = \$14.3 million Total Project Budget: \$31.5 million (All Sources)
First Bond Sale/Current Appropriation	\$0
Expenditures + Encumbered to Date	\$0
Total Remaining in Project Budget	\$0
Re-appropriation	\$1,400,000
Revised Current Appropriation after Re-appropriation	\$14,300,000 (2012 G.O. Park Bonds)
Project Status	Current: Port Commission adopted CEQA findings for the project at its Oct 13, 2015 meeting. Other permitting underway. Detailed project design beginning. Expected Completion Date: November 2017.
Explanation	The additional funds will be used to open up more of the northern shoreline for the public's enjoyment and more rehabilitation of historic Slipway 4. Slipway 4 is a major element of the park.

Item 7 File 15-0869	Department: Department of Public Health (DPH)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize the first amendment to the agreement between DPH and Healthright360 to (1) increase the total not-to-exceed amount by \$69,156,836 from \$37,355,006 to \$106,511,842, and (2) exercise all three one-year options to extend the agreement for a total of three years from June 30, 2016 to June 30, 2019. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Department of Public Health (DPH) entered into an agreement with Asian American Recovery Services, Inc. (AARS) in 2009, for AARS to provide fiscal intermediary check-writing services to pay non-contracted vendors for the provision of services required by DPH health service providers who cannot directly receive payments for services from third party payers, such as Medi-Cal, Medicare, and private insurance companies. • AARS merged with Healthright360 in 2013. DPH drafted a new agreement with Healthright360 in 2013, using the remaining funds from the AARS contract for a total not-to-exceed amount of \$37,355,006. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Actual and estimated expenditures under the agreement between DPH and Healthright360 from December 31, 2013 through June 30, 2016 are \$38,192,281. • DPH would like to reduce the requested increase in the total not-to-exceed amount by \$14,170,866 from \$69,156,836 to \$54,985,970. As a result, the total agreement not-to-exceed amount is reduced by \$14,170,866 from \$106,511,842 to \$92,340,976. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to reduce the agreement not-to-exceed amount by \$14,170,866 from \$106,511,842 to \$92,340,976. • Approve the proposed resolution as amended. 	

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

The Department of Public Health (DPH) entered into an agreement with Asian American Recovery Services, Inc. (AARS) in 2009, following a competitive selection process. This agreement was for AARS to provide fiscal intermediary check-writing services to pay non-contracted vendors for the provision of services required by DPH health service providers who cannot directly receive payments for services from third party payers, such as Medi-Cal, Medicare, and private insurance companies. Subsequently, AARS merged with Healthright360 in 2013.

The existing agreement between DPH and Healthright360 is for a not-to-exceed amount of \$37,355,006. The term of the existing agreement is for two years and six months from December 31, 2013 through June 30, 2016 with three one-year options to extend through June 30, 2019.

Under the existing agreement, Healthright360 serves as a fiscal intermediary providing reimbursement for the following services:

- Therapists serving San Francisco Medi-Cal beneficiaries and eligible San Francisco Mental Health Plan members, who reside in other California counties, or have emergency or urgent care needs while outside of San Francisco;
- Residential Care Facilities, a network of licensed mental health facilities that provide 24-hour services to eligible mental health clients;
- Mental health wrap around services for mental health clients, including emergency housing and food, transportation, clothing, and vocational training; and
- Emergency stabilization housing services for homeless clients with special medical and behavioral needs.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the first amendment to the agreement between DPH and Healthright360 to (1) increase the total not-to-exceed amount by \$69,156,836 from

\$37,355,006 to \$106,511,842, and (2) exercise all three one-year options to extend the agreement for a total of three years from June 30, 2016 to June 30, 2019.¹

FISCAL IMPACT

Actual and estimated expenditures under the agreement between DPH and Healthright360 from December 31, 2013 through June 30, 2016 are \$38,192,281, as shown in Table 1 below.

Table 1. Actual and Estimated Agreement Expenditures from December 31, 2013 through June 30, 2016

	Total
December 31, 2013 - June 30, 2014	\$5,836,543
July 1, 2014 - June 30, 2015	13,927,054
July 1, 2015 - June 30, 2016 (est.)	17,385,551
Contingency ²	1,043,133
Total	\$38,192,281

Source: Department of Public Health

According to Ms. Michelle Ruggels, Director of DPH Business Office, DPH would like to reduce the requested increase in the total not-to-exceed amount by \$14,170,866 from \$69,156,836 to \$54,985,970. As a result, the total agreement not-to-exceed amount is reduced by \$14,170,866 from \$106,511,842 to \$92,340,976, as shown in Table 2 below.

Table 2. Projected Agreement Expenditures over Three-Year Extension Period from FY 2016-17 through FY 2018-19

Fiscal Year	Total Expenses
FY 2016-2017	\$16,115,683
FY 2017-2018	16,115,683
FY 2018-2019	16,115,683
Contingency Funds (12%)	<u>5,801,646</u>
Total Project Expenditures	\$54,148,695
Total Actual Expenditures (see Table 1 above)	<u>38,192,281</u>
Total Revised Not-to-Exceed Amount	\$92,340,976
Less Existing Not-to-Exceed Amount	<u>(37,355,006)</u>
New Total Requested Increased Amount	\$54,985,970

Source: Department of Public Health

¹ Healthright360 receives reimbursement for fiscal intermediary check-writing services of approximately \$80,000 per year based on a fee of \$22 per check. The balance of agreement expenditures is paid to service providers.

² DPH policy is to include a 12 percent contingency in each agreement. In Table 2, the contingency is estimated to be 12 percent of the remaining expenditures in FY 2015-16.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the agreement not-to-exceed amount by \$14,170,866 from \$106,511,842 to \$92,340,976.
2. Approve the proposed resolution as amended.

Item 8 File 15-0966	Department: Department of Emergency Management Real Estate Department
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize the first amendment to the current license between the City and the Clay-Jones Apartment Owners' Association for the City to occupy rooftop space for its public safety radio and communications system equipment located at 1250 Jones Street. <p>Key Points</p> <ul style="list-style-type: none"> • The City has a license for leased space on the roof of the building located at 1250 Jones Street (at Clay Street) for public safety communications equipment including antennas and support infrastructure. The license began in 1998 and extends through June 30, 2019. • The proposed first amendment extends the license by ten years through June 30, 2029, and has four (4) five-year options to extend through June 30, 2049. • The proposed first amendment also increases the rent paid by the City to the Clay-Jones Apartment Owners' Association as of December 1, 2015. According to the City's Real Estate Division, the increased rent accounts for the increased space and location of equipment at the leased site. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • Under the existing license, the City would have paid rent to the Clay-Jones Apartment Owners' Association of \$362,934, from December 1, 2015 through the license termination date of January 31, 2019. However, the proposed first amendment to the license increases the rent to \$449,534, an increase of \$86,600 or approximately 24 percent from December 1, 2015 through January 31, 2019. • Total rent paid by the City from December 1, 2015 through January 31, 2029 (which includes the ten-year lease extension) is \$2,295,651. <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

The City has a license for previously leased space on the roof of the building located at 1250 Jones Street (at Clay Street) for public safety communications equipment including antennas and support infrastructure. The building is near the top of Nob Hill which provides high quality radio transmission coverage from the tower on the roof, where the equipment is located. The Department of Technology (DT) and the Department of Emergency Management (DEM) maintain this system.

The City's equipment located at 1250 Jones Street includes:

- Equipment room in the main building
- Microwave dishes, omni-directional antennas and panel antennas mounted on the tower and the roof of the building
- Space for the City's heating, ventilation and air conditioning (HVAC) equipment on the building roof
- Space for the City's emergency generator on the building roof
- Conduits, panels, and equipment necessary to connect such emergency generator to the City's equipment
- Conduits, panels and equipment necessary to connect fiber between the City's equipment in the building and the tower to City's fiber network in the street
- Connection of City equipment to the building's grounding system

The current license began in 1998 and is set to expire on January 31, 2019.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the first amendment to the current license between the City and the Clay-Jones Apartment Owners' Association for the City to occupy rooftop space for its public safety radio and communications system equipment located at 1250 Jones Street, extending the term for an additional ten years through January 31, 2029. The proposed license amendment includes four additional options to renew the license for five years each, for a total extension of 30 years through January 31, 2049. This would allow the City to continue operating the City-owned radio communications system for public safety needs at this location, and maintain the system without interruption.

As part of the City's Five-Year Information and Community Technology (ICT) Plan, the City will undergo a \$73 million Radio Replacement Project which will upgrade the City-wide radio communications systems used by the City's public safety agencies. The project includes the communications equipment located at 1250 Jones Street. The Radio Replacement Project is expected to be complete by Fiscal Year (FY) 2019-20. The current City-wide radio communications system was originally installed in 2000 and is nearing the end of its service life. The City expects that the new system would last for up to 15 years, through approximately 2035. The total project budget for the City-wide Radio Replacement Project is \$73,020,103. To date, the City has spent approximately \$1,800,000 for planning, and \$2,800,000 for new radios.

The subject license agreement for equipment at 1250 Jones Street would provide the City flexibility to add and remove equipment as needed, as well as provide for dual equipment during the 18-month City-wide Radio Replacement Project where the City will install and test replacement antenna before removing the old antenna, at no additional cost.

Table 1 below summarizes the proposed first amendment provisions to the license at 1250 Jones Street.

Table 1: Key Provisions of the First Amendment to the License

The original lease expires on January 31, 2019. The proposed first amendment revises the terms of the lease from the effective date of approximately December 1, 2015.	
New Lease Term	Ten years from original lease termination date of January 31, 2019 through January 31, 2029.
Options to Extend	Four (4) five-year options to extend through January 31, 2049
City-owned Equipment	Unlimited Equipment Racks (4) Tower Antenna (3) Flat panel Antenna (1) VHF whip Antenna (3) GPS W3 Antenna
Licensed Space	Equipment room (20th floor) Generator space (roof) HVAC equipment space (roof) Tower and rooftop space (roof) Connection space (conduits and connections between equipment room, generator space, HVAC equipment space, tower and rooftop space)
Rent Payable by City to Clay-Jones Apartment Owners Association	\$11,286.25 monthly, or \$135,435.00 annually (see Fiscal Impact Section below)
One-Time Fee Payable by the City	\$25,000
Rent Adjustments	2.5 percent annually through January 31, 2019 (original license term) 4 percent annually on February 1 of each year beginning February 1, 2019

FISCAL IMPACT

Under the existing license, the City would have paid rent to the Clay-Jones Apartment Owners' Association of \$362,934, from December 1, 2015 through the license termination date of January 31, 2019. However, the proposed first amendment to the license increases the rent to \$449,534, an increase of \$86,600 or approximately 24 percent from December 1, 2015 through January 31, 2019, as shown in Table 2 below.

Table 2: Comparison of Existing Rent to Proposed Rent Paid by City to Clay-Jones Apartment Owners' Association through License Termination Date of January 31, 2019 ^a

Dates	Rent Under Current License	Rent Under First Amendment	Increase	Percent Increase
Dec 1 2015 to Jan 31 2016 (2 months)	\$18,224	\$22,573	\$4,349	24%
Feb 1 2016 to Jan 31 2017	112,078	138,821	26,743	24%
Feb 1 2017 to Jan 31 2018	114,880	142,291	27,412	24%
Feb 1 2018 to Jan 31 2019	117,752	145,849	28,097	24%
Total	\$362,934	\$449,534	\$86,601	24%

^a Includes annual 2.5 percent rent increase

According to Mr. Charlie Dunn, Senior Real Property Officer at the Real Estate Division, the increase in rent for the remaining 38-month period under the existing license term from approximately December 1, 2015 through January 31, 2019 is due to a survey of the City's existing equipment on-site prior to the new license amendment. The survey was completed by ComSites West, which manages the equipment for the Clay-Jones Apartment Owners' Association. Since 1999, the City has added equipment to the site that is not reflected in the original license. The proposed increased rent accurately reflects all of the City-owned equipment located at 1250 Jones Street. Mr. Dunn states that the proposed rent is comparable to similar City licenses at other privately-owned sites for placement of telecommunications equipment.

The rent paid by the City to the Clay-Jones Apartment Owners' Association under the proposed first amendment for 38 months of the existing license term, and 120 months, or ten years, of the amended license term, from December 1, 2015 through January 31, 2029, is \$2,295,651, as shown in Table 3 below. This amount includes a \$25,000 one-time fee to be paid by the City to the Clay-Jones Apartment Owners' Association. According to Mr. Dunn, the one-time fee is typical for telecommunications licenses and was negotiated with the rent.

Table 3: Estimated Annual Rent Paid by the City to the Clay Jones Apartment Association ^a

Dates	Rent
Dec 1, 2015 through Jan 31, 2019 (See Table 2 above)	\$449,533
Feb 1, 2019 - January 31, 2020	151,683
Feb 1, 2020 - January 31, 2021	157,750
Feb 1, 2021 - January 31, 2022	164,060
Feb 1, 2022 - January 31, 2023	170,622
Feb 1, 2023 - January 31, 2024	177,447
Feb 1, 2024 - January 31, 2025	184,545
Feb 1, 2025 - January 31, 2026	191,927
Feb 1, 2026 - January 31, 2027	199,604
Feb 1, 2027 - January 31, 2028	207,588
Feb 1, 2028 - January 31, 2029	215,892
Total Rent	\$2,270,651
One-Time Fee	25,000
Total	\$2,295,651

^a Includes 4 percent annual rent increase from February 1, 2019 through January 31, 2029.

As noted above, the City has four (4) five-year options to extend the license through January 31, 2049. If the City exercises these options, rent would be subject to a four percent annual increase on February 1 of each year beginning February 1, 2019. There would be no readjustment to market value over the term of the extensions.

RECOMMENDATION

Approve the proposed resolution.